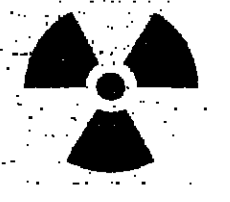

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Is N Korea an undeclared nuclear power?

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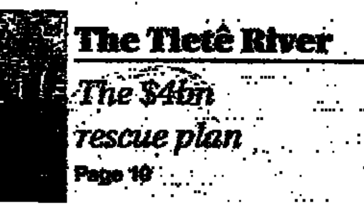

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France shocked by Alcatel

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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY JULY 6 1994 — D8523A

NEC may invest $1bn in new US or UK chip plant

NEC is considering building a $1bn semiconductor plant in either the UK or US. The Japanese electronics group believes it unlikely that its latest semiconductor plant, to be opened soon in Kyushu, southern Japan, will meet rising global demand. A new plant could create up to 1,000 jobs. Page 14

US stock and bond markets held their ground in nervous trading as investors waited to see if the Federal Reserve's open market committee (FOMC), which began a two-day meeting in the afternoon, would vote to raise interest rates. Page 14; Weak dollar, Page 19; World stocks, Page 36; Currencies, Page 32

Beijing plans film curbs: China signalled that imported films would be limited to 30 per cent of its movie market, claiming the restriction was to protect its film industry. Page 14

Push for Bosnia deal: The US and Russia said the arms embargo against Bosnia's Moslem-led government could be lifted if it accepts a new partition plan for the republic while the Serbs reject the proposal. Page 2

Rwanda warning: French troops will "retaliate" if the refugee zone they have created in south-west Rwanda is attacked, France's foreign minister Alain Juppé, said. Page 4

Airbus Industrie, European aerospace consortium, is expected to announce tomorrow the formation of an aircraft financing subsidiary, Airbus Finance Corp, to handle financing of future Airbus sales to airlines. Page 25

Computer network groups link-up: Wellfleet Communications, America's second largest manufacturer of routing devices to link computer networks, announced a $1.1bn merger with SynOptics Communications, a leading supplier of computer network switching and management systems. Page 17

Swedish growth projection cut: A recent rise in interest rates will cut Sweden's projected GNP growth by up to a third next year and add SKr10bn ($1.29bn) to the budget deficit, finance minister Anne Wibble, said. Page 2

Kantor claims policy success: US policy of linking improvements in labour and intellectual property rights in developing countries with the tariff-free benefits granted under the US Generalised System of Preferences has yielded "substantial results", says the US trade representative Mickey Kantor. Page 7

Arafat returns to Jericho: PLO leader Yassir Arafat flew into the West Bank city of Jericho after 27 years of exile to press his demands for a speedy expansion of Palestinian self-rule. Page 6

Tokyo presses on with tax cuts: Japan's new government confirmed it plans to cut income tax, in an effort to stimulate domestic demand and curb the trade surplus. Page 6

Menem policies draw protest: Argentine President Carlos Menem braced himself for what organisers claimed would be the largest demonstration against the government's free market economic policies since he took office in mid-1989. Page 3

Brazil's monthly inflation tops 50%: Brazilian inflation accelerated sharply in June before the launch of the country's new currency, with the monthly rate more than 50 per cent. Page 3

Rain damper for cricket: England and New Zealand drew the third cricket test at Old Trafford after rain cut short play on the final day. England won the three-match series 1-0 with two matches drawn.

Blaze shuts Gotthard link: The 17km Gotthard road tunnel, Europe's longest and an important link for Italy with the rest of Europe, is expected to stay closed until Saturday after a truck blaze inside the tunnel.

Horn of plenty: A length of carved and decorated medieval horn, over 1m long, sold for £441,500 ($671,000) at Christie's auction house, London.

Dahmer attacked in jail: US serial killer Jeffrey Dahmer was slightly wounded when another inmate tried to cut his throat using a home-made razor weapon at the Columbia Correctional Institute at Portage, Wisconsin. Dahmer is serving 15 life terms for 17 murders.

Bomb bid foiled: A woman was arrested when she tried to bring a bomb with 2.5kg of explosives into the shrine of Iran's late revolutionary leader Ayatollah Khomeini in Tehran. Security authorities said she planned to detonate the device during evening prayers.

■ STOCK MARKET INDICES

FT-SE 100:	2,965.0	(-5.4)
Yield	4.18	
FT-SE Eurotrack 100	1,316.56	(-10.31)
FT-SE-A All-Share	1,481.61	(-0.1%)
Nikkei	20,834.37	(+202.44)
New York: lunchtime		
Dow Jones Ind Ave	3,660.25	(+13.60)
S&P Composite	447.86	(+0.86)

■ US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.291%
Long Bond	84¾
Yield	7.6%

■ LONDON MONEY

3-mo Interbank	5⅛%	(Same)
Liffe long gilt future:	Sep 100⅞	(Sep100⅞)

■ NORTH SEA OIL (Argus)

Brent 15-day (August)	$17.50	(17.47)

■ Gold

New York Comex (Aug)	$396.9	(388.1)
London	$386.8	(385.0)

■ STERLING

New York lunchtime:		
$	1.543	
London:		
$	1.5405	(1.5384)
DM	2.438	(2.456)
FFr	8.3565	(8.4159)
SFr	2.0459	(2.0612)
Y	152.24	(152.143)
£ Index	79.4	(79.6)

■ DOLLAR

New York lunchtime:		
DM	1.5835	
FFr	5.4295	
SFr	1.329	
Y	98.87	
London:		
DM	1.5826	(1.5946)
FFr	5.4245	(5.4645)
SFr	1.3281	(1.3375)
Y	98.825	(98.705)
$ Index	63.4	(63.5)

Tokyo close Y 99.5

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$19	Malta	Lm0.80	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso60	Syria	S£50.00
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.60	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

Fresh hope for EU accord over Delors' successor

By Philip Stephens, Political Editor, in London

The emergence of seven possible candidates for the presidency of the European Commission has reinforced optimism in the British government that there will be an early end to the dispute over the successor to Mr Jacques Delors.

UK ministers indicated that the names on a draft list of contenders – drawn up by Britain but representing the government's understanding of the position of other European Union member states – are all broadly acceptable to London. The names have been canvassed during intense consultations among EU governments after the deadlock at the EU summit in Corfu last month.

It also became clear yesterday that Mr John Major, the UK prime minister, now appears willing to risk the anger of Euro-sceptics in his own Conservative party by nominating Mr Neil Kinnock, the former leader of the opposition Labour party, as Britain's second commissioner in Brussels from January.

Among the fresh contenders for the Commission presidency are Mr Uffe Ellemann-Jensen, the former Danish foreign minister, and Mr Pedro Solbes, the Spanish finance minister. But Mr Giuliano Amato, the former Italian prime minister, apparently remains the favoured choice in London.

British ministers acknowledged that the list, which also includes candidates from the Netherlands, is by no means final. A strong contender from Belgium might yet emerge within the next few days. Mr Peter Sutherland, Irish director-general of the General Agreement on Tariffs and Trade, could also re-enter the race.

But comments by Chancellor Helmut Kohl of Germany yesterday that Spanish prime minister Mr Felipe González has ruled himself out of the race strengthened the view in London that the successful candidate most probably will be drawn from the names now circulating.

Mr Kohl, who as president of the EU council is preparing the ground for a decision at or before the Brussels summit on July 15, signalled also that Mr Delors is unlikely to extend his presidency. That intensifies pressure for an early accord.

Apart from Mr Ellemann-Jensen, Mr Solbes and Mr Amato,

Continued on Page 14

Passing a Major hurdle: seven men the UK would not veto

John Major | Ruud Lubbers, Netherlands | Hans Van den Broek, Netherlands | Guiliano Amato, Italy | Renato Ruggiero, Italy | Poul Schlüter, Denmark | Uffe Ellemann-Jensen, Denmark | Pedro Solbes, Spain

S African finance chief's departure knocks markets

Mandela names prominent banker as Keys' successor

By Mark Suzman and Michael Holman in Johannesburg

Mr Derek Keys resigned suddenly yesterday as South Africa's finance minister in a move which threw markets into turmoil and raised concern about the country's future economic policies.

Mr Keys, who said he would stay on at least until October in order to allow time to find a suitable successor, denied that any policy clash lay behind his announcement, and cited unspecified "personal reasons" for his decision.

President Nelson Mandela moved quickly to allay market concern by last night naming Mr Christo Liebenberg, a prominent banker, to replace Mr Keys. Mr Liebenberg, 60, retired in February as chief executive of the Nedcor banking group.

Mr Keys' efforts to reassure markets were undermined only hours later by a sharply critical statement from the powerful Congress of South African Trade Unions, which charged that by his actions yesterday the minister had put at risk the government's reconstruction and development programme, and had betrayed Mr Mandela's trust.

"This undermines the integrity of the government of national unity," the statement said.

In his official announcement released yesterday evening statement Mr Keys praised President Mandela and deputy president F W de Klerk as "remarkable leaders" and said that his aim as finance minister had been to contribute to an orderly transfer of power and "protect the country's economic base" for the new government.

"Through the goodness of God all these objectives have been achieved, but the road ahead is a long one for which I believe fresh resources need to be marshalled," Mr Keys said.

The announcement is the first crisis of South Africa's new political order following the inauguration of Mr Mandela in May. It was greeted by widespread shock and dismay in the local business community.

Mr Keys was respected both domestically and abroad for his prudent stewardship of the South African economy and had become a symbol of integrity and competence in the administration during a two-year term of office which began under the white-led government of Mr de Klerk.

Adding to the distress was the inept way in which the news yesterday was handled.

If Mr Keys's statement can be taken at face value, news of the move was inadvertently leaked earlier in the day and the result was that for several hours confusion reigned.

Rumours about Mr Keys's decision began to reach the Johannesburg stock market by mid-afternoon, and bond yields climbed sharply while the financial rand, the country's main barometer of foreign sentiment, weakened by 2.6 per cent against the dollar.

Mr Mandela, who spent the afternoon accompanying French President François Mitterrand on a visit to the Johannesburg township of Soweto, initially appeared unaware of the announcement when questioned by the media. Officials at the department of finance also reacted with surprise to press enquiries.

Mr Keys had given no previous indications that he might resign and spent yesterday morning at a meeting with the visiting French delegation in Cape Town where he signed an agreement on development assistance with Mr Edmond Alphandéry, French economics minister, before flying back to Pretoria and delivering his announcement.

"In the short term at least it's very bad news for the markets," said Mr Michiel Bester, economist at the consulting firm Econometrix. "It creates a lot of unwelcome uncertainties."

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Pierre Suard: called for stock exchange inquiry into how the news of his detention was released Picture: AP

Alcatel head hits at probe into use of company funds

By John Ridding in Paris

Mr Pierre Suard, chairman of Alcatel Alsthom, the French telecoms and engineering group, yesterday described as unfounded an investigation into alleged payment irregularities and called for a stock exchange inquiry into how the news of his detention on Monday was released.

The Alcatel chairman, who was freed from police custody early yesterday morning on bail of FFr1m ($183,000), has been formally placed under investigation for alleged irregularities in payments for work at his private residence. But he received support from senior officials, including Mr Gérard Longuet, the French industry minister.

Mr Longuet said the reputation of the company and other French exporters could be damaged by the investigation and expressed confidence in the Alcatel chief, who, he said, had put France among the leaders in the international energy, telecommunications and railway industries.

The investigation into Mr Suard is the latest blow to the French business establishment in the past few months. In May, Mr Didier Pineau-Valencienne, chairman of Groupe Schneider, the electrical engineering group, was arrested in Belgium and detained

Continued on Page 14

Texaco to cut 2,500 jobs and sell half US oilfields

By Richard Tomkins in New York

US oil group Texaco is to sell half its US oilfields and cut 2,500 jobs from its worldwide workforce of 32,000 over the next year as part of a plan to increase profitability, the company announced yesterday.

The restructuring will result in a second-quarter charge to earnings of about $165m. The charge is to cover redundancy costs, the write-down to market value of assets being sold, and a previously-announced charge of $49.5m relating to the sale of its chemical operations.

However, Texaco said the moves would reduce overheads by some $300m a year, about a third of which would be realised this year and the rest by the end of 1995.

Its shares rose $1¼ to $61⅞ in early trading in expectation of a boost to earnings.

Texaco's actions mirror those of other big US oil companies which have been responding to low oil prices by rationalising US production and cutting away at management and administration functions that expanded in more prosperous times.

Texaco has more than 600 producing fields in the US. The 300 or so to be sold or traded will mostly be small ones that have been rendered marginal or unprofitable by recent declines in oil prices.

The company said US activities would be focused on the remaining oil and gas assets accounting for more than 90 per cent of US profits, cashflow, production and reserves.

Proceeds from the oilfields being sold would be redirected to growth opportunities in the US and overseas.

The other prong of Texaco's rationalisation plan is to cut production costs by consolidating offices, reducing layers of supervision and giving broader responsibility to employees at field level.

There will also be rationalisation in international production, including the sale of its heavy oil producing properties in Colombia.

Further cuts will be made in downstream operations. Costs in its US refining and marketing operations will be reduced by more than 20 per cent by stripping out layers of management and closing some offices. A similar process is under way in Europe and Latin America.

Texaco also aims to cut its shipping costs by forming a strategic alliance with outside interests. It said it was actively engaged in discussions with potential partners.

Earlier consolidations and restructurings carried out by Texaco have cut the workforce by 13 per cent in the past two years and produced annual pretax savings of $54m. Last year the company made after-tax profits of $1.1bn.

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CONTENTS

Crisis in French press may see more casualties

By Alice Rawsthorn in Paris

There is one conspicuous absentee from the French newsstands this morning – Le Quotidien, the Paris-based daily that yesterday suspended publication after months of struggling to solve its mounting financial problems.

Mr Philippe Tesson, founder and director of Le Quotidien, explained to his readers in a mournful editorial splashed across yesterday's front page that the paper was to cease publication until an emergency meeting on July 18 at which its shareholders would decide if it had a future.

Le Quotidien is the latest casualty of the crisis in the French press, which has come under intense financial pressure during the economic recession. It has disappeared from the newsstands at a critical time. The future of many of France's most famous newspapers is clouded by uncertainty.

Libération, the liberal-left daily, is searching for an additional FFr80m (£9.5m) to conclude a FFr260m recapitalisation package to finance a relaunch this autumn. Le Monde, the venerable political paper, is trying to adjust to life under a new senior management team appointed several months ago.

Meanwhile, Mr Robert Hersant, the enigmatic industrialist who is the most powerful figure in the French press, is under pressure from Crédit Lyonnais, his bank, to repay his debts by selling France-Soir, his loss-making evening title, and even Le Figaro, the conservative daily which is France's biggest-selling national newspaper. The Havas media group and Mr Claud Bebear, chairman of the Axa insurance empire, are mooted as possible purchasers.

The immediate cause of the industry's problems is the recession, which has taken a toll on advertising revenue (particularly on recruitment and property advertising) and on circulation. These difficulties have affected the entire French press, but national newspapers have suffered most of all due to competition from the historically strong regional press and television, which has expanded significantly since deregulation in the 1980s.

The nationals saw their advertising revenue decline by 27 per cent last year, according to industry estimates, and are braced for a further 10 per cent fall this year against respective reductions of 14 per cent and 6 per cent for the regionals. They have also borne the brunt of the decline in circulation. Le Figaro is still the largest national, but its circulation has slipped from 432,000 to 380,000 over the past five years and is well below those of three regional dailies: Ouest France, Le Progrès in Lyon and Le Parisien.

These problems have been aggravated by a stream of new launches – including Aujourd'hui, the national version of Le Parisien, and InfoMatin, backed by Le Monde.

The new launches have also adopted tactically low cover prices of FFr3.00 or FFr3.50, against FFr6.00 for Libération and FFr7.00 for Le Monde. Some established titles have retaliated by slashing their prices in a desperate attempt to boost sales. Yet price cutting has proved to be a dangerous tactic as Le Quotidien discovered. It dropped its price from FFr6.00 to FFr4.00 but only increased circulation from 30,000 to 40,000.

Le Quotidien's gamble has failed. It is hoping shareholders will rally round at the July 18 meeting – or that a white knight rides to its rescue.

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US-Russian push for Bosnia deal

By Our Foreign Staff

The US and Russia both said yesterday that the arms embargo against Bosnia's Moslem-led government could be lifted if it accepts a new partition plan for the republic while the Serbs reject the proposal.

"I think there is a recognition that the pressure to lift the arms embargo may become irresistible, unavoidable," said Mr Warren Christopher, US secretary of state. He was speaking at a meeting in Geneva, where he and his counterparts from Russia, Britain, France and Germany endorsed the peace plan.

Ministers from all five countries stressed that they were committed to the idea of using threats and inducements to encourage the warring parties to accept the partition plan.

However, there have been ominous signs of disagreement between the five over how far the "carrot and stick" approach should go.

Mr Andrei Kozyrev, the Russian foreign minister, said the warring parties had been given two weeks to respond to the proposal, which awards 51 per cent of Bosnia to a new Croat-Moslem federation and the remainder to the Serbs.

The Serbs currently control about 70 per cent of the republic and there was continued fighting yesterday over strategic ground in northern and central Bosnia. Mr Kozyrev described the proposal as the only possible alternative to continuation of the war and stressed that both sides could expect generous treatment if they gave a positive response.

The Russian minister said that if the parties did not agree to the proposal, enforcement of existing UN sanctions would be tightened. He added: "As an extreme measure, a Security Council decision on lifting the arms embargo may be unavoidable." The joint warning from the US and Russia amounted to a determined effort to keep up a common front, although the domestic pressures in the two countries run in diametrically opposing directions.

A formal resumption of arms supplies to Bosnia, while very popular in the US Congress, would be anathema to Russia. Mr Kozyrev warned earlier this week that western moves to penalise the Bosnian Serbs for their alleged intransigence could lead to a world war.

Senior figures on both sides have said they would rather fight on than accept the peace plan, but neither party wants to accept the international opprobrium of being the first to reject it.

Mr Alija Izetbegovic, Bosnia's president, told Moslem ambassadors in Geneva that he would not reject the peace proposal out of hand and would try to keep the peace process going.

At a meeting with ambassadors from the Organisation of the Islamic Conference, Mr Izetbegovic also said his army had managed to acquire large amounts of weapons despite the UN arms embargo on former Yugoslavia.

He did not hide his dissatisfaction with the peace plan, but one diplomat quoted him as saying: "Our answer will not be some radical No... We believe it wouldn't be wise to reject the plan fully. In other words, we believe that peace negotiations should continue."

Reviewing the military situation, Mr Izetbegovic said the Bosnian army was better off than a year ago. "We have managed, despite the blockade, to bring in some quantities of weapons and we consider it our right," he said.


Russian foreign minister Andrei Kozyrev (left) and his German counterpart Klaus Kinkel in Geneva yesterday before the start of the ministerial meeting on the future of Bosnia AP

Sweden counts cost of financial uncertainty

By Hugh Carnegy in Stockholm

The recent rise in interest rates, driven partly by concern over the rapid growth in state debt, will cut Sweden's projected GNP growth by up to a third next year and add SKr10bn (£847m) to the budget deficit, Mrs Anne Wibble, the finance minister, admitted yesterday.

At a special meeting on the dramatic developments in the Swedish financial markets over the past few days, Mrs Wibble told Mr Göran Persson, economy spokesman for the opposition Social Democratic party, that GNP growth this year would only be marginally reduced by the interest rate rises. The economy is set to grow by 2.7 per cent after three years of contraction. But Mrs Wibble said the knock-on effects of higher interest levels could cut growth in 1995 – previously forecast to reach 3 per cent – by up to 1 per cent of GNP.

She added that the extra interest costs to the government would swell the budget deficit to SKr160bn in the current 1994-95 budget year from SKr150bn previously forecast. This will still be well below the deficit of SKr193bn, or almost 13 per cent of GNP, reached in the just-completed budget year.

However, it is likely also to increase the borrowing requirement, previously set at SKr195bn. The news helped induce another bout of nervousness in local markets. Heavy over-subscription to a SKr6.5bn issue of government bonds, despite the announcement of a bond boycott by the insurance company Skandia, had steadied the stock market and the Swedish krona and eased interest rates on Monday.

But yields on five-year bonds rose above 10 per cent again yesterday, the stock market fell by more than 1 per cent and the krona slipped against the main world currencies.

Mr Persson described the picture given him by Mrs Wibble as serious and said it contrasted sharply with the optimistic prognosis for the economy routinely given by Mr Carl Bildt, the conservative prime minister.

He said the Social Democrats would give more details on their plans to tackle the budget deficit before the general election on September 18. Underlining the continued weakness of the Swedish economy were figures showing unemployment had risen sharply in June.

Although the rise was expected because of the influx of school-leavers and students on to the market, the total of 14.8 per cent of the workforce unemployed or in government training schemes is some three times the level before the recession.

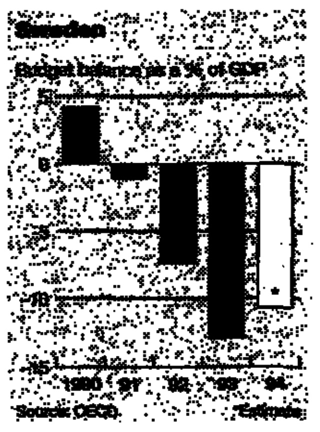
Graham Bowley adds from London: The Swedish government bond market fell back from its highs yesterday after a short-lived rally caused by follow-through buying after the success of Monday's auction.

"Underlying sentiment [in the bond market] remains very fragile," said Mr Jouni Kokko, international economist at SG Warburg.

"It is clear that Monday's auction went well only because the currency was extremely low and yields were so high, which attracted opportunistic money looking to take profits," he said.

Analysts said the comments by Mrs Wibble that the 1994-95 budget deficit had been revised upwards and that the forecast for economic growth had been revised downwards had unnerved the market.

"It was read as a negative factor," said Mr Kokko.



Walesa in threat to resign over abortion reform

By Christopher Bobinski in Warsaw

President Lech Walesa has threatened to resign if he is forced to accept an easing of the country's strict anti-abortion laws voted through recently by parliament. The governing centre-left coalition has also come under fire from the Catholic church for postponing the ratification of the concordat, a treaty with the Vatican, which defines the church's status in Poland.

President Walesa, the father of eight, earlier this week refused to accept an easing of Poland's tight abortion laws voted in by parliament and said that he would resign rather than sign the new laws.

Under the constitution parliament now has to muster a two-thirds majority to overrule a presidential veto and should it be successful the president would have no choice other than to sign the new law or resign and call an election.

Earlier this month 241 deputies in the lower chamber voted in favour of liberalisation allowing women to ask for abortions in "difficult personal and economic circumstances". With 107 against and 32 abstentions this was only around 10 votes short of the two-thirds majority needed to overrule the veto.

The ban on abortion, except in cases where the mother's life is endangered, came into force in March 1993 and saw the number of legal abortions cut from 11,640 in 1992 to 777. Last year the number of births fell, due to demographic and social factors, to 493,000 from 519,000 the previous year.

Should President Walesa, who is riding low in the popularity ratings, decide to call an election on the issue he would be pushed to win a majority. According to recent polls around 30 per cent of voters want to keep restrictions in place while 56 per cent were in favour of liberalisation.

Meanwhile, Cardinal Jozef Glemp, the Polish Primate, has said he is not "afraid of war" over the delay in the ratification of the concordat, Poland's treaty with the Vatican.

Last week, parliament voted to postpone the ratification until a new constitution was in place next year. The concordat, which includes the church's right to teach religion in state schools and opens tax loopholes for the clergy, is deeply unpopular with the former communist Left Democratic Alliance coalition partner, which believes it gives the church too many rights. The co-governing Polish Peasants' party is more inclined to accept the treaty.

Both agreed to postpone ratification in order to avoid increasing tension within the coalition.

Corporate France gets shivers

Probe of Alcatel chief adds to climate of anxiety in business, writes John Ridding

Mr Pierre Suard, the taciturn chairman of Alcatel Alsthom, was in unusually strident voice. The latest and most senior target in a series of corruption probes which have shaken French industry, he yesterday condemned the investigations he faces as banal and said there was a campaign of defamation against his company, one of the world's largest engineering and telecommunications groups.

Mr Suard's tone reflects the events of the last two days. On Monday morning, the Alcatel chief was summoned to the magistrates' office in Versailles, to the west of Paris. Early yesterday, after more than 12 hours of questioning and a search of his home in the Parisian suburb of Neuilly, Mr Suard was formally placed under investigation for misuse of funds for work carried out at his private residences and released on bail of FFr1m (£110,000).

Alcatel has strongly denied any wrongdoing, describing Mr Suard's detention on Monday as "scandalous". The company demanded a stock exchange investigation into the way information concerning the investigation was released and the movements in the company's share price, which lost more than 8 per cent on Monday, before bouncing back yesterday.

The turbulence surrounding Mr Suard's ordeal, however, stretches far beyond the share price of his telecommunications and engineering company. The investigation into one of France's most respected industrialists and the head of an empire of almost 200,000 employees, has fuelled concerns among France's business establishment, already worried about the expansion of judicial investigations into French companies.

The protracted legal tangles of Mr Bernard Tapie, the left-wing entrepreneur, the incarceration for 12 days in a Brussels prison of Mr Didier Pineau-Valencienne, chairman of Groupe Schneider, who is accused of fraud concerning two Belgian subsidiaries, and allegations of systematic corruption by French utilities companies by Mr Thierry Jean-Pierre, a prosecutor turned politician, have contributed over the past few months to a climate of anxiety surrounding corporate France.

"There is a feeling of nervousness, in which allegations can be magnified out of proportion," says one French merchant banker. "It can be very harmful for the groups involved." This view was echoed by Mr Gérard Longuet, the industry minister. "I consider it distressing that one can damage the reputation of a group of tens of thousands," he told French radio, adding that the affair could damage the image of French industry.

For some observers, there is more to come. Mr Elie Cohen, a director of CNRS, the state research institute, believes that the flurry of investigations reflects a greater freedom on the part of law officials. "The judges now feel free to investigate big companies," he says. "They feel a greater independence from political authority and are fed up with corruption in France."

Mr Guy Danet, Mr Suard's lawyer, rejects the idea of a systematic campaign against business leaders. "There are certain judges who don't hesitate to pursue business leaders, which doesn't bother me. But we reject categorically the investigation into Mr Suard, and the spectacular methods which have been used."

According to Mr Cohen, however, business will come increasingly under examination and the political right will be just as vulnerable as the left.

Such a view is supported by the background and political connections of the Alcatel head. Unlike Mr Bernard Tapie, Mr Suard is a pillar of the industrial establishment with leanings to the political right. Despite his differences with the government over Framatome, the state-controlled nuclear power group which Mr Suard is pursuing, he is close to many senior members of the Gaullist RPR party, including Mr Edouard Balladur, the prime minister.

In 1986, Mr Balladur, then finance minster, backed Mr Suard for the chairmanship of Compagnie Générale d'Electricité, a diversified group which became Alcatel in 1987 after the merger of its telecoms activities with ITT of the US.

The case of Mr Suard is more worrying than that of Mr Pineau-Valencienne, who has been released on bail from a Brussels prison but still faces an investigation into fraud and acting against the interests of minority shareholders at two Belgian subsidiaries.

"For many in France the problems of Mr Pineau-Valencienne are blamed on the Belgians and their legal system," says one industry observer. "This is not the case with Mr Suard. It is a purely French affair."

That affair dates back to an investigation into two former employees of Alcatel CIT, a subsidiary of the group involved in the manufacture of telecommunications equipment. The two employees, accused of manipulating prices for France Télécom, were fired by Alcatel last year. But during their investigation, they accused senior Alcatel executives, including Mr Suard, of having work done at their homes which was paid for by the company.

In the case of Mr Suard, attention has focused on security systems installed at his Paris homes at a cost to the group of more than FFr3m. Alcatel denies any wrong-doing and says that the security devices were fitted on the advice of the government after the assassination in 1986 of Mr Georges Besse, the head of Renault, the state-owned vehicle group.

This claim is supported by Mr Alain Madelin, minister for small business, who was then the minister for industry. Mr Madelin said he was "very surprised" by the decision to take Mr Suard into custody and said that the expenses in question were not for luxury items but reflected the dangers of Mr Suard's job.

Despite the specific nature of the case, however, there are common elements with Mr Pineau-Valencienne's ordeals at Groupe Schneider. In both cases, the chairmen have been dragged into a legal tangle by subsidiaries. In both cases the companies have offered this as a defence.

"Mr Suard does not exercise any functions at Alcatel CIT," Alcatel Alsthom said, echoing the claims made at its electrical engineering rival.

The tenacity of the investigating magistrates is also a common thread. At Alcatel, as with Mr Tapie, the French investigating magistrates have demonstrated an unexpected degree of doggedness in pursuit of their inquiries. That is why the business community is feeling rattled, and why Mr Suard's counterparts will be watching the headlines with interest.

EUROPEAN NEWS DIGEST

Absentees at Milan trial

The biggest trial in Italy's long-running corruption scandals opened yesterday in Milan, in the absence of all the best known defendants, including Mr Bettino Craxi, former Socialist prime minister, and Mr Umberto Bossi, leader of the federalist Northern League. The two men, along with 30 other political and business personalities from Italy's old regime, are charged with breaking the law on the financing of political parties. Most of the defendants were witnesses in the six-month trial of Mr Sergio Cusani, a financial consultant to Ferruzzi-Montedison, the industrial group, which was alleged to have paid a L150bn (£62m) bribe to political parties to ease its withdrawal from Enimont, an ill-fated chemicals joint venture with Eni, the state holding company. This second trial could last even longer and began slowly yesterday with procedural points. Much of the media interest is concentrated on Mr Craxi, who refuses to return from his villa in Tunisia, on the grounds that he is too ill. *Andrew Hill, Milan.*

Fiat faces strike in Poland

Workers at Fiat Auto in Tychy, southern Poland, have voted to strike in support of a wage claim if talks with management fail. The plant's 6,000 workers, who produce Fiat's Cinquecento model, voted 84 per cent in favour of strike action. The unions are demanding a 40 per cent pay increase. At the same time, the Solidarity union in Warsaw has threatened a boycott of Italian goods as a result of a four-week strike at the Warsaw steelworks owned by Lucchini, an Italian private steelmaker. Solidarity says the "strike will determine if Italian capital and other foreign investors are to treat our country as terrain for ruthless exploitation or will respect our workers and consumers". The factory, taken over by the Italian company two years ago, has been occupied by its 2,000 employees and 10 of them have begun a hunger strike in an attempt to force a 30 per cent wage rise and to speed the modernisation of the plant. Lucchini says that delays over establishing title to the land have held up financing for new equipment in the $300m project. *Christopher Bobinski, Warsaw.*

Brussels airs pollution rules

European Union member states would get common air quality monitoring standards and pollution limits under a draft directive approved yesterday by the the European Commission. The draft regulation, which requires approval by ministers, is part of a review and simplification of EU environmental legislation for air and water standards. It has been drawn up as a result of growing concern about air pollution in several countries, including Britain, Belgium and Greece.

Up to 14 air pollutants would be covered by the directive, ranging from sulphur and nitrogen dioxide to ground-level ozone and carbon monoxide. The first three pollutants, along with lead and hydrocarbon particles, are already covered by five EU directives, but Brussels now wants a more common and broader approach. This would consist of: common reporting standards; setting pollution limits to be attained within 10-15 years; and setting provisional ceilings. When the latter are exceeded, the public should be informed and emergency measures taken. The Commission itself would eventually publish regular reports on Union-wide air quality. It envisages that pollution limits for substances already covered by EU law should be set by the end of 1996, with a deadline of the end of 1999 for the other nine chemicals being targeted. *David Gardner, Brussels.* See Editorial Comment

Ex-central banker accused

A former director of the Bank of Spain faces a Pta15m (£74,000) fine following allegations of insider trading in connection with the removal late last year by the Bank of Spain of the board of Banesto, the private banking group. Mr Tomás Ramón Fernández is alleged to have learned of the impending move on Banesto in discussions at the Bank of Spain on December 23 and sold Pta5m worth of personally held shares in Banesto the day before a central bank board meeting on December 28 which he attended. That meeting decided to intervene in the banking group. Mr Fernandez claims he sold his equity in Banesto to avoid a conflict of interest at the subsequent board meeting to decide on the intervention. He was sacked from the central bank's board in February after the stock market regulators began inquiries into possible insider trading. *Tom Burns, Madrid.*

Brussels warns Bonn on beef

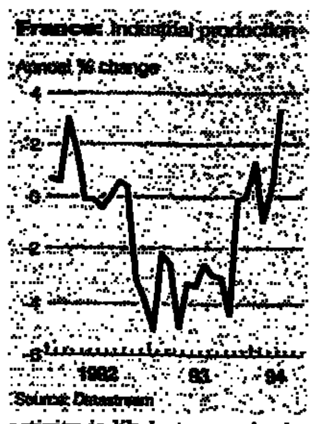
Germany was warned yesterday by the European Commission that it would be breaking European law if it tried to ban British beef because of fears about bovine spongiform encephalopathy, or mad cow disease. The agriculture commissioner wrote to Bonn warning against unilateral action on Friday when the German parliament is due to vote on the subject. The EU is considering scientific evidence and may draw up new rules on the import of British beef. Mrs Gillian Shephard, UK agriculture secretary, welcomed the move. "It certainly vindicates our stance and it vindicates my view that the Germans would end up in court – and now they know it officially," she said in a television interview. EU scientists yesterday resumed talks on the best way of countering the threat of mad cow disease. *PA, London*

Aid for coal and steelworkers

A total of 5,000 coalworkers and 13,000 steelworkers in Belgium, Germany and Britain will benefit from a European Commission aid package, announced yesterday by Mr Padraig Flynn, social affairs commissioner. The aid – available for such areas as retirement, unemployment, vocational training and redeployment – amounts to Ecu38m (£29.7m). It will benefit workers who lost their jobs in the past two years. The commission also said it would add Ecu21m to a Ecu60m grant given last year for steelworkers made redundant as a result of the EU steel restructuring plan. Last year some 23,000 steelworkers in Belgium, Germany, Spain, France, the Netherlands, Portugal and Britain benefited from this programme. Mr Flynn said the aid would ensure that ex-miners and steelworkers received a high level of social protection and would also be given a helping hand into new jobs. *Emma Tucker, Brussels*

ECONOMIC WATCH

French industrial output rises



French industrial production rose by 2.1 per cent in April, giving a year-on-year rise of 8.3 per cent. Output rose a revised 0.5 per cent in March from February. The April rise was mainly because of a 9.4 per cent increase in energy production. Manufacturing output rose 0.5 per cent, after a 5.8 per cent rise in output in the car and land transport sector. Output of semi-finished goods rose 0.5 per cent, while consumer goods fell by 0.3 per cent in the month. *Reuter, Paris.*

■ Swiss construction sector activity is likely to remain depressed throughout 1994 after a sharp drop in production in 1993, the Swiss Building Industry Group said. Combined turnover for its 18 members declined to SFr3.42bn (£1.64bn) in 1993 from SFr3.62bn in 1992.

■ Spain's official currency reserves declined $61m (£40m) in June from May. The reserves stood at $44.28bn as of June 30, the central bank said.

■ Hungary's current account deficit stood at $1.18bn (£760m) in the year to April, from $809m to March.

NEWS: THE AMERICAS

Top planner in Venezuela offers to quit

By Joseph Mann in Caracas

The head of Venezuela's presidential planning office, Cordiplan, has offered his resignation in protest at the government's failure to approve a series of free-market reforms he proposed.

Mr Luis Carlos Palacios, who joined Cordiplan from the industry ministry at the end of May, had recommended President Rafael Caldera's government approve moves including:

- negotiating agreements with the International Monetary Fund and other multilateral agencies;
- increasing domestic petrol prices and subsidising public transport;
- reforming the country's onerous system of severance benefits to workers;
- higher taxes.

Free-market policies have been generally rejected by the Caldera administration since it took office in February.

Announcing his resignation, Mr Palacios said his proposals had not been accepted by the cabinet, and warned that price and exchange controls introduced on June 27 were attacking only "the symptoms of the crisis", not the causes.

Although it was not clear yesterday whether President Caldera would accept the resignation, Mr Palacios's initiative reflected the depth of the schisms within and outside the government over the imposition of the controls.

Another cabinet member, Mr Alberto Poletto, industry minister, told businessmen that the recent controls, while necessary in the short term, were "not the correct way to run the economy". He said he had never imagined that he would be industry minister when such drastic measures were taken.

Since the controls were announced, several ministers have said they will be "temporary", although no time span has been specified. Details of the price and exchange controls are still being announced. The government was expected to announce the new foreign exchange programme – Venezuela's fourth this year – late last night.

Bad economic news has continued to pile up. Mr Palacios announced that Venezuela's GDP shrank by 3.5 per cent in the first quarter of 1994, compared with the equivalent period in 1993. The oil sector grew by 2.9 per cent but non-oil activities declined by 4.8 per cent. Imports for the first four months of 1994 were down 32 per cent from the equivalent period last year.

Some economists are predicting a 5 per cent decline in GDP this year, compared with a 1 per cent decline in 1993.

Meanwhile, hundreds of thousands of depositors are still waiting to claim their money from eight financial institutions closed by the government last month. Depositors protesting outside Banco Metropolitano on Monday threatened to set fire to bank offices if they were not paid.

Two prominent bankers – Mr José María Nogueroles, president of Banco Provincial, Venezuela's largest bank, and Mr Edgar Dow, head of Banco del Caribe – warned that the government's plan to "recycle" money from strong banks to weak institutions will destroy what is left of the country's banking system.

A recent IMF report, published by a Caracas daily, predicted that the Venezuelan government would have a budget deficit equivalent to nearly 17.5 per cent of GDP this year, due to official financial assistance to the banking system.

Caveme, an association of pharmaceutical companies, has also warned that the government ban on foreign exchange sales will cause shortages of medicines since many raw materials are imported.

Stocks of some processed foods have also run low due to the industry's reliance on imports.

An old man's magic

Canute James on a suspect Dominican electoral win

Mr Joaquín Balaguer, the seemingly eternal president of the Dominican Republic, has perfected the science, much to the annoyance of his political opponents, of snatching slim electoral victories from almost certain defeat.

For the third time in the last three elections in the Caribbean state, Mr Balaguer has retained office controversially, and in conditions which have encouraged losing candidates to claim that he did so by less than fair means.

While the country's electoral board is still reviewing the preliminary results of the presidential and congressional election held in May, Mr Balaguer is preparing to be inaugurated in August for his seventh term. But there must be, even in the president's own party, continuing questions about the propriety of the result.

In an electorate of 3.3m, Mr Balaguer's conservative Social Christian Reform party received about 30,000 votes more than the social democratic Dominican Revolutionary party of Mr José Francisco Peña Gómez. The latter, for whom opinion polls had forecast a win, has claimed there were widespread irregularities.

Most of the estimated 200,000 prospective electors who were unable to cast their ballots were his party's supporters, Mr Peña Gómez claimed. Foreign observers concurred. The US National Democratic Institute for International Affairs noted "significant problems and irregularities in the electoral process." It said that about 200,000 people did not get voting cards on time and concluded: "A disproportionate number of the disenfranchisement cases, which members of the delegation noted, appeared to affect opposition parties."

Mr Balaguer, aged 87 and blind, dismissed the charges and claimed victory, saying the election had been clean. Officials of his party agreed that all had not gone well with the election but denied that fraud had brought the result into question. They allowed that some inefficiency had occurred but said this would not have altered the result despite the narrow victory of the Social Christian party. Mr Peña Gómez is unlikely to succeed in his plan to have foreign governments press Mr Balaguer into holding new, internationally supervised elections.

If, as expected, his victory is confirmed by the board, Mr Balaguer will have to deal immediately with two main issues. One is relations with Haiti, with which the Dominican Republic shares the island of Hispaniola. The recent tightening of international economic sanctions on Haiti, to prise out the military rulers and allow the return of President Jean-Bertrand Aristide from exile, has forced Mr Balaguer into an awkward position.

The Dominican leader is far from enthusiastic about the return of Father Aristide, who once described as "slavery" the conditions of Haitian migrant workers in the Dominican Republic. Mr Balaguer has publicly opposed the tightening of the embargo on Haiti. Amid reports of suggestions that the Dominican Republic could lose US trade preferences, he has moved to curb the smuggling across the border with Haiti which is violating the economic embargo and has been facilitated by the Dominican military.

The president's second big problem will be the country's economy. Some main pillars – sugar, gold and nickel – have been hard hit by high production costs and low market prices. The trade deficit is widening but the pressure has been relieved by growing earnings from tourism. The central bank was forced last month to intervene to stabilise the currency, which slipped after two years of relative stability.

Mr Balaguer promises nothing new for the economy, which has been growing moderately in the past three years: "We should not embark on an adventure and should continue our cautious policy."

There must be doubt over how long he will remain in office. Few Dominicans, including Social Christian party functionaries, expect the president to stand for office again in 1998 when he would be 91. So there is much attention on Mr Jacinto Peynado, a 53-year-old businessman, the grandson of a former president and in line to be Mr Balaguer's new vice-president. Mr Peynado's economic philosophy is less conservative than that of Mr Balaguer.

Balaguer is preparing for a seventh presidential term Philip Wolmuth

US sends Marines to Haiti waters

By Jeremy Kahn in Washington

Four US naval amphibious assault ships will sail for Haiti today, carrying 2,000 US Marines, the defence department announced yesterday.

The ships are being sent to help in any evacuation of US citizens and "designated foreign individuals" from Haiti, the department said. The amphibious assault group will join eight US warships patrolling the waters off the Caribbean nation to enforce UN sanctions against Haiti's military regime.

A ninth ship – the helicopter-carrier Wasp – is also in the area for training exercises with 650 Marines aboard.

A naval spokesman refused to comment on whether the ships could be used to land troops on Haitian soil.

President Bill Clinton has refused to rule out the possibility of an invasion to reinstate President Jean-Bertrand Aristide, exiled after a military coup in September 1991.

After Mr Clinton's decision to end all commercial air traffic between the US and Haiti, refugees have fled the nation in record numbers, often putting to sea in overcrowded and unsafe open vessels in the hope of political asylum in the US. The flood of asylum-seekers – who have left Haiti at rates sometimes reaching 1,000 per day – has forced the Clinton administration to reopen its refugee centre at Guantánamo Bay in south-eastern Cuba.

The refugees – those picked at sea up by the US Coast Guard – are also being brought to naval ships serving in the Caribbean as floating processing centres, and to refugee camps on the British-owned Turks and Caicos Islands. Under current US policy, refugees are being given brief asylum hearings and those not given asylum are returned to Haiti.

Panama said yesterday it would be willing to accept up to 10,000 refugees.

Big Argentine protest today to protect jobs

By John Barham in Buenos Aires

Argentine President Carlos Menem has promised strict security measures for a demonstration today by trade unions and opposition parties in the centre of the capital, Buenos Aires.

Organisers say this will be the largest demonstration against Mr Menem's free market economic policies since he took office in mid-1989. They hope to mobilise more than 40,000 people.

Mr Menem, concerned there could be violence, has ordered 6,000 police, backed by helicopters and riot police, to patrol the city centre.

The demonstration will occur in the context of rising industrial unrest, fuelled by stagnant wages and worsening unemployment. Discontent is also increasing in the provinces, where most local economies are in deep recession.

The march today is to be led by a new breed of union bosses, mainly leaders of public sector workers from the provinces fighting to protect jobs under threatened local government reforms.

A younger generation of more aggressive union leaders is out-flanking more cautious union bosses prominent in the old guard of the Peronist movement which also spawned Mr Menem. Branch members of the powerful UOM metalworkers' union have swept aside their leaders' remonstrations and called a series of one-day strikes for this month to press for a 30 per cent wage increase.

Previous anti-government protests and strikes in Argentina have failed because of apathy and skilful counters by Mr Menem's Peronist government, which has co-opted labour leaders while reducing traditional union privileges.

Brazil's inflation over 50% a month

By Angus Foster in São Paulo

Brazilian inflation accelerated sharply in June before the launch of the country's new currency, with the monthly rate of more than 50 per cent, technically placing Brazil in hyperinflation.

Prices increased by 50.75 per cent in June, up from a monthly 45.1 per cent in May, according to the FIPE institute. However, many prices were raised ahead of the introduction of the new currency, the Real, last Friday.

Inflation in the Real is expected to fall sharply this month, helped by parity to the US dollar. But the June increase will add to pressure on the government to force suppliers to reduce prices in the Real.

The acceleration in inflation in the last few weeks has also fuelled claims by workers that their purchasing power was undermined before the new currency was introduced.

Yesterday, petroleum workers' unions at the state-owned oil and gas company Petrobrás claimed six of its refineries had been affected by strike action. The unions are demanding compensation for what they claim is a 50 per cent loss in buying power because of inflation and the new currency. Petrobrás claimed that production was not affected at any of the six refineries.

Uncertainty over the new currency also led to a near 2.5 per cent fall in early trading on the São Paulo stock market. Investors are concerned the government may move to block foreign investors tempted by Brazil's high interest rates.

Baby Bells set for contest with judge

By Martin Dickson in New York

Four of America's "Baby Bell" local telephone companies are expected to launch a legal battle as early as today aimed at eliminating the immense powers wielded over them by a US district judge for the past decade.

The case could play an important role in breaking down the complex legal and regulatory framework which prevents the Baby Bells from competing in the long-distance telecommunications market, or making telephone equipment.

The Bell companies are expected to call on Judge Harold Greene to give up the oversight of the US telecommunications industry he has exercised since the early 1980s, when he presided over the court-ordered break-up of American Telephone & Telegraph on anti-trust grounds.

AT&T's local operations were spun off into seven separate Baby Bells. Because each of these enjoyed regional monopolies, they were forbidden from entering the long-distance market, equipment manufacturing and information services (though the latter ban was lifted in 1991). AT&T retained its long-distance operations, though these were opened to full competition.

Since then, Judge Greene has presided over the so-called consent decree which established this framework, and both AT&T and the Baby Bells must seek his permission for substantial changes in operating practices. Judge Greene has tended to interpret the consent decree conservatively and the telephone companies have grown frustrated at his court's long backlog of requests for waivers.

Many industry observers argue that to vest such powers in a solitary judge, committed to a framework 10 years old, is seriously to impede the evolution of one of the world's fastest changing industrial sectors.

The four companies pursuing legal action – Bell Atlantic, BellSouth, Nynex and Southwestern Bell – are expected to argue that the consent decree has outlived its usefulness.

The House of Representatives last week passed a telecommunications bill which would do away with the consent decree and eventually allow the Baby Bells into the long-distance market. But the legislation faces a tough fight in the Senate and the Baby Bells are evidently launching their court battle as a precautionary measure.

Judge Greene seems likely to reject the call for him to relinquish his powers. If so, the four are likely to take the battle to the Supreme Court.

US allows more flexible transfer pricing

By Ken Warn in Washington

The US Treasury yesterday unveiled tax rules to allow companies greater flexibility in determining the transfer prices of cross-border transactions with foreign subsidiaries or parents.

Transfer pricing, in which companies assign prices to internal transactions for taxation purposes, has become a highly contentious part of the international tax arena.

Foreign companies operating in the US have often been accused of manipulating transfer prices in order to reduce their tax liability. In the 1992 US election campaign, Mr Bill Clinton hit at foreign companies for paying too little tax.

The new rules, which formalise and extend temporary regulations introduced last year, give companies more leeway over the methods they use to determine their transfer prices.

However, the Internal Revenue Service will be able to impose financial penalties of 20 to 40 per cent where it has determined that tax has been underpaid due to transfer pricing adjustments.

"Although the rules are broader in application and based on more general principles, they also give the IRS the tools to go after companies trying to cheat," a US Treasury official said yesterday.

The benchmark for determining accurate transfer prices is the arm's-length principal, which asks what a similar commercial transaction between unrelated companies would cost.

The final regulations are "intended to maximise the extent to which relevant information may be taken into account in evaluating a taxpayer's results under the arm's-length standard," the Treasury says. It does not believe the changes are likely to result in any significant increases in revenue. However, companies which were not complying under the old system could well find themselves paying more, an official said.

Officials denied that giving companies and the IRS greater flexibility in determining a fair transfer price was likely to lead to more litigation.

Clinton to press for troops pullout from Baltics

By George Graham in Washington

President Bill Clinton's meeting in Riga today with the presidents of Latvia, Lithuania and Estonia marks a renewed effort by the US to complete agreements for the withdrawal of Russian troops from the three Baltic countries by August 31.

US officials say the visit to the Latvian capital – the first by a US president to a Baltic country – is a signal of the Clinton administration's commitment to the three countries. Their annexation by the Soviet Union was never recognised by the US. "This trip is meant to say: we support the independence of the Baltic countries and their future is important to the US," a senior administration official said.

Russian troops have already withdrawn from Lithuania and an agreement was signed in April for a withdrawal from Latvia. "What is missing in this equation is an agreement between Russia and Estonia," a US official said.

Negotiations are under way this week in Geneva and Mr Clinton is expected to use his meeting later in the week with President Boris Yeltsin of Russia at the Group of Seven industrialised nations' summit in Naples to press for an agreement. Issues unresolved include the status of retired Russian military personnel who have settled in Estonia; the status of a naval research base; and the availability of housing for Russian officers returning from Estonia.

"I think it's fair to say our view is that it takes two to tango; both sides are responsible for successful negotiations. We think there are issues that both sides can compromise on," the administration official said.

Mr Clinton is also expected to raise US concerns about the restrictive citizenship law recently passed by the Latvian parliament which raises anxieties in Moscow over the status of ethnic Russians. The law has been rejected by Latvia's president.

Mr Clinton is due to fly on to Warsaw before going to Naples.

WORLD CUP

Surreal enough for Magritte? Almost certainly

Jurek Martin finds the tournament has its fair share of the unexpected

This World Cup is becoming too surreal for comfort. Let us simply try and count the ways in which what passes for normality in soccer has been transformed into something of an illusion.

One, a team from the US, most of whose players are obscure – to put it mildly – and whose goalkeeper is more intent on an acting career, comes within 15 minutes of forcing Brazil into extra time. This was in no script written outside Hollywood.

Of course, the US were out-played for much of the game by a team which, for half of it, were a man short. The Americans only managed one clear chance and no actual shot on goal, but nor did the Brazilians, Romario apart, threaten annihilation; and the tension of the moment showed on every Brazilian player's face – so much so that one of them, Leonardo, gave in to his nerves by planting his elbow in an American's face.

Two, a game in Giants Stadium between Saudi Arabia and Morocco drew a crowd of 72,000. Think about it: two Arab teams playing in New Jersey, no less, and selling out the place.

It would only have been understandable had it been played in Casablanca or Riyadh, with Bogart as referee and O'Toole and Omar Sharif working the lines. Equally amazing, Russia against Cameroon drew an even bigger crowd.

Three, the poor Colombian who scores an own goal against the US gets murdered on his return home. Soccer may generate war, pestilence, famine and rioting, but players do not get knocked off by irate fans, even in Medellin (Cali, maybe, but not Medellin, now that its narcotics kingpin, Pablo Escobar – no relation to the unfortunate Andres – is no more).

Four, Diego Maradona, captain of Argentina, is not apparently in disgrace for having failed a drugs test, thus fatally weakening a team that had begun to appear a favourite. There he was out in California doing TV reporting on the Argentina-Romania game and weeping on air as his team went down.

Fallen idols are treated differently here. As Tony Kornheiser put it in the Washington Post: "Do you see Doc Gooden (the Mets pitcher suspended last week for narcotics abuse) going to Cincinnati to sit in the booth with Ralph Kiner? Does this guy have no shame at all?"

Americans can be remarkably tolerant of those they have been reared to revere. "Say it ain't so, Joe", they all said after Shoeless Joe Jackson was charged with accepting bribes in the 1919 World Series. More recently, O J Simpson, the former gridiron great, lost no jobs after pleading guilty to wife-beating (a murder rap, however, has proved another matter).

Five, the clog-laden Dutch are now rated a fast team by virtue of extinguishing Ireland. Even Jack Charlton, Ireland's manager, said so, so it must be true, though he might have been decently disguising the shortcomings of his own side.

So shocked were crowds in The Hague – not exactly a city where passions normally run high – that they went on a looting spree instead of tending their tulips.

Six, and pending the outcome of the Nigeria-Italy and the Mexico-Bulgaria games yesterday, Europe is in the ascendant, with five out of the six sides through to the quarter-finals. This was not supposed to be. No European side has ever won the World Cup on non-European soil. It can only reflect the mysterious chemistry linking European political disarray to performance on the soccer field.

All the European sides, Germany excepted, were presumed to be cannon fodder for Brazil, Argentina and Colombia, and even for Nigeria. Now Romania, where chicken feet were a staple diet not so long ago, look as likely to succeed as anybody. Ceaucescu and his Securitate must be turning in their graves.

Natural law may yet reassert itself if Brazil take it all, but it might be pointed out that even Brazil have managed only two goals in their last two matches. If anything, they are living on that most unnatural of Brazilian characteristics – defence.

Exactly what Americans make of all this is anybody's guess. Yesterday, the Tuesday morning quarter-backs (normally they are the Monday morning quarter-backs, but Monday was a holiday) took pride in the US team but had their doubts that anything as bizarre as soccer could take deep root here.

"Was this the beginning of an era for American soccer – or the end of a delightful interlude?" asked George Vecsey in the New York Times. "Will the US even be back in the next World Cup in four years in France?"

The usually irreverent Kornheiser even turned semi-serious. "As much as I've come to like the World Cup, I'm glad we don't treat it with the same fervour as other nations. All this talk about how 'soccer is a passion' and 'soccer is a religion' makes me nervous."

He also found it pretentious. "One man I know, who has been salivating about the World Cup for years while attacking American sports as loutish, informed me [that] 'every play, every rush downfield is a short story in itself.' I'm watching 22 guys with hairy legs kick a ball around and he's seeing Carlos Castenada in a crossing pass."

In this Cup, Réné Magritte would be a more apt point of reference. There is a hole in the middle of the body of soccer through which bright blue skies can be seen. That must, somehow, be good. But explaining it is no joke.

US defender Alexi Lalas consoles goalkeeper Tony Meola after the hosts' 1-0 defeat by Brazil on Monday Reuter

Italians hold off Nigeria for extra-time victory

Italy beat Nigeria 2-1 yesterday in the first game of the World Cup finals to go to extra time, setting up a quarter-final clash with Spain on Saturday.

Amunike scored following an error by Italian captain Maldini to give Nigeria a 1-0 half-time lead against the run of play.

Italy beseiged Rufai's goal in the second half but were kept at bay by Nigeria's powerful, physical defense and their own lack of punch.

The Italians, reduced to 10 men after Zola was sent off, equalised in the last minute of regular time.

Roberto Baggio broke the deadlock from the penalty spot in the 12th minute of extra time after Eguavoen had brought down Italian defender Benarrivo.

While Italian fans held their breath, Baggio stayed cool and planted his penalty to the right of goalkeeper Rufai.

Two minutes later Yekini might have hauled Nigeria level again. However, with the Italian defence all at sea, he could not fasten on to a proper shot.

Romania uplifted by win over Argentina

The Romanians are looking for more World Cup scalps. And they say they have prepared themselves carefully enough to go further in the competition, following their 3-2 win against Argentina that eliminated the two-time world champions.

The victory put Romania into the World Cup quarter-finals for the first time and triggered intense excitement in Romania and in the US. The match was greeted as the high point of the World Cup finals so far.

"This was our greatest performance ever," said Ilie Dumitrescu, who scored two goals against Argentina. "We eliminated one of the best teams in the world."

In Bucharest, tens of thousands of people appeared on the streets in celebrations reminiscent of those in the winter of 1989, after the downfall of Romania's Communist regime.

Head coach Anghel Iordanescu said that the win against Argentina was Romania's "greatest joy since the revolution."

Four years ago Romania lost to Ireland in the World Cup second round on penalty kicks.

Against Sweden in the next round, the Romanians will be even stronger with the return of striker Florin Raducioiu, who had to sit out the game against Argentina because of suspension.

Romania were seen as underdogs before the tournament started. But they have won three of their games (Colombia, the US and Argentina). Only Switzerland (now eliminated) have beaten them – 4-1 in the first round.

Brazil, who did not over-impress against the US on Monday, winning only 1-0, will have their work cut out if they bump into the Romanians next week.

Injury fears for key Swedish players

Swedish mid-fielder and captain Jonas Thern will miss at least four days of practice because of a sore knee, but is expected to play in Sunday's quarter-final against Romania.

"I've played so much and I don't need more practice," said Thern, who left Sunday's second-round game against Saudi Arabia in the 69th minute with a sore right knee.

Sweden defeated the Saudis 3-1 and have yet to lose a game. Except for a weak first half in their June 19 opener against Cameroon (2-2), Thern has been the key mid-field player for Sweden.

Central defender Joachim Bjorklund, who left Sunday's game early in the second half complaining about pain in his thighs, is also likely to miss the next few days' training in Oakland, California.

The Swedes are studying videos of the Romanians. They are impressed by the Romanians' defensive play, and by Hagi, whom they rate the player of the tournament so far.

No homecoming party for Ireland

There will be no great home-coming for Ireland's World Cup team. Four years ago, more than 300,000 people packed Dublin's streets to welcome the team when they returned from the World Cup in Italy after reaching the quarter-finals.

But plans for a similar open-air party were canceled yesterday in the wake of Ireland's 2-0 loss to Holland. Up to 500,000 fans had been expected at Phoenix Park to greet the team tomorrow, but organisers cancelled the reception when they learned that manager Jack Charlton and half the players would not be returning this week.

Charlton is staying in the US to work as a television commentator, while up to a dozen players are taking holidays.

The Irish broadcasting service RTE was swamped with calls from fans critical of Charlton's decision to ignore the homecoming.

■ Results

Nigeria .... 1 Italy 2
(after extra time)

Quarter-finals

Saturday, July 9

Match A: Spain vs Italy
Boston 5pm

Match B: Holland vs Brazil
Dallas 8.30pm

Sunday, July 10

Match C: Germany vs winner of Mexico-Bulgaria, *New Jersey 5pm*

Match D: Romania vs Sweden, *San Francisco 8.30pm*

Semi-finals

Wednesday, July 13

Winner match C vs Winner match A, *New Jersey 5pm*

Winner match D vs Winner match B, *Los Angeles, 12.30am Thurs*

Final

Sunday, July 17
Los Angeles 8.30pm

NEWS: INTERNATIONAL

Keys, master of inspired commonsense

By Patti Waldmeir

Mr Derek Keys taught South Africa to believe in itself. Yesterday he jeopardised that new-found confidence by announcing he will resign as the country's finance minister, from October.

Less than a month ago, Mr Keys stood before international investors at a meeting of the World Economic Forum in Cape Town, displaying his "good news tie", a garish neckpiece whose multi-coloured stripes clashed painfully with the bold striping of his shirt. He asked them to believe in South Africa, to trust its intention to maintain strict fiscal and financial discipline.

To the extent they did so, it was because the presence of Mr Keys in government gave them confidence and reassurance. Now this consummate pscyhological manipulator is leaving government; it is hard to see another man taking his place.

Other men will have the technical skills to do so, perhaps a solid record in private-sector business, integrity, even political acumen. But they will not have his powerful personality, nor be able to draw on his carefully nurtured contacts with key figures in the African National Congress; they will not command the same respect in the government of national unity, or outside it. His loss is a serious blow to the new government's credibility, at home and abroad.

When he said, only a month ago, "We've spent the past four years proving the sceptics wrong and we are quite happy to go on doing so," no one suspected he would not be there to carry on that struggle. A man of strong faith and devotion to his wife Silma, Mr Keys has often made clear she would prefer him to leave politics, and that he likes to please her whenever possible. But once he accepted the post of finance minister in Mr Nelson Mandela's government after having served in that role under Mr F.W de Klerk, no one expected him to bow out so soon. He seemed to be enjoying his new role, and his relations with Mr Alec Erwin, his deputy, and Mr Jay Naidoo, reconstruction and development minister, both socialists and former radicals from Mr Mandela's African National Congress, were excellent.

The only consolation comes from the fact that Mr Keys' departure appears to be genuinely motivated by personal reasons, rather than irreconcilable policy differences with Mr Mandela.

Mr Keys's achievements of the past two years are substantial: reducing the budget deficit, keeping to budget targets, constraining the rise in government spending, restoring confidence. But most of all, he has ensured that, as he put it last week, "there is a real understanding that the pot is only a certain size; that the RDP (reconstruction and development programme) has got to come out of it, and that if the pot looks as though it's being emptied too much, it's going to have repercussions". The budget he presented to parliament a fortnight ago marks the acceptance of those realities by the government of national unity.

Throughout the country's turbulent transition to democracy, he has been relentless in his optimism, even in the most violent days leading up to the April elections.

Derek Keys: a symbol of integrity and competence in the administration Ashley Ashwood

He has mastered the art of making everything he says sound simple and obvious. He has used common sense and the commercial acumen developed over 30 years as one of South Africa's top businessmen, to induce sanity among the country's fractious politicians.

At a time in 1992 when they had sunk to new depths of squabbling, Mr Keys told them a few choice economic truths: that unless they moved quickly, South Africa would not be worth fighting over. The politicians listened, and democracy talks began in earnest.

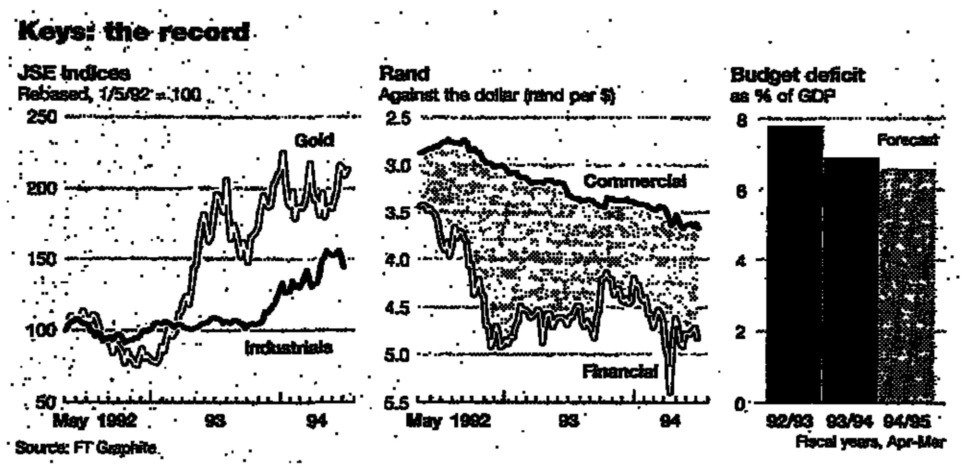
"I'm the minister of the obvious," he once told the Financial Times. "I see myself as someone who jollies people to do what common sense dictates they ought to do." He saw what had to be done, and had the political skill to persuade the ANC, the black trade unions, the business community and the cabinet that they had seen it first themselves.

His force comes from the strength of a truly uncluttered brain: clear like his "desk", the round conference table which stands empty at one end of the room; simple like his rhetoric. Perhaps this is genuine, perhaps a trick of personality. Either way, it worked; Mr Keys' personality was an important force driving economic recovery which should see growth hit 2.5 per cent this year, after a four-year recession.

His campaign has been overwhelmingly psychological. Investors must believe in investing, bureaucrats must believe in giving their best efforts by cutting waste and inefficiency, the ANC must believe in the virtues of a free market, the unions must believe they have a stake in growth, and all of them must believe in Derek Keys.

"Government is in a typically feminine role," he told the FT in a 1993 interview. It is "trying to create a situation attractive enough to stimulate some initiative from another party (the private investor). Once you commit yourself to relying on the private sector because only it can produce the investment directions with adequate yields, then you put yourself in this situation. How can I be more attractive? That's the heart of the problem." Now the problem is somebody else's.

Keys: the record



Source: FT Graphite

International investor confidence seen to suffer

Business dismayed as markets get jittery

By Our Markets Staff

Dismay was the common response among South African businessmen yesterday to the imminent departure as finance minister of Mr Derek Keys, whom they credit with having put the country's finances on a sounder footing during two years in office which spanned the transition to democracy.

Bond, equity and currency markets all reacted negatively in an afternoon of rumour-laden turmoil before his confirmation last night that he was stepping down.

The unexpected resignation has struck a blow to the growing confidence of international investors in South Africa, which was increasingly being tipped as the next fashionable "emerging" market.

Mr Cedric Savage, president of the South African Chamber of Business, said it came as a surprise and shock to business but Mr Keys felt obliged to resign so soon after the inauguration in May of the government of national unity. "Financial markets and business confidence are likely to react negatively to this development," he said.

Although the overall stock market dropped only three points on the day to close at 5,451, bond yields climbed above 15 per cent after starting the day at 14.5 per cent, and the financial rand, the country's investment currency which is regarded as the best barometer of international investor sentiment, fell 12.5 cents from R4.72 to the dollar in London to R4.845.

The news is a particular blow for the stockbroking community, which has been aggressively marketing South African shares abroad in the wake of Mr Keys's recent budget, which was widely praised for prudence and commitment to cutting the budget deficit.

"There's no question it will be viewed as a major negative, especially overseas, where Keys was known and trusted," said another broker. "He was a stabilising and reassuring figure and his departure will cost South Africa dearly."

The resignation could also spell trouble for the first global offering of convertible bonds for a South African company. Robert Fleming is currently in the process of "book-building" – sounding out investor interest – in a $360m to $500m offering for Liberty Life, the country's fourth largest company. The deal is due to be priced on Tuesday.

"I do want clarity before I commit to this deal," said one London-based international fund manager. "Part of the comfort with South Africa was that the people in charge of the economy were running a tight ship."

Mr Ian Hannam, the banker in charge of the offering at Robert Fleming, admitted the news had caused concern but said: "no investors have dropped out as a result. The most important thing is who will replace Mr Keys."

Businessmen were inclined to accept at face value Mr Keys's statement that he was leaving for unspecified personal reasons. Mr Donald Gordon, chairman of Liberty Life and Transatlantic, and one of Mr Keys's oldest friends, commented: "I would believe they are genuine reasons. He would not put his name to anything like this unless it was true."

Mr Conrad Strauss, chairman of the Standard Bank group, South Africa's largest banking group by market capitalisation, was the name most frequently mentioned yesterday as a possible successor to Mr Keys. Associates of Mr Strauss said he had been unaware of the news before it became public and it was untrue that he had been approached as a successor.

Mr Gordon did add, however, that "it was not impossible" that Mr Strauss could succeed Mr Keys. He said Mr Strauss would "probably be my first choice". The issue is close to home for Mr Gordon as Mr Strauss has often been mooted as a likely successor to him at Liberty Life. The two groups have close ties.

Rumours that he will be replaced by Mr Strauss helped reassure traders that the resignation may not indicate a split on policy between Mr Keys and the government. "If he is genuinely leaving for personal reasons, the market will calm down again," said one banker.

Business leaders also reacted with dismay to the news and expressed worries it might have serious longer term repercussions in the next budget, where Mr Keys's restraining influence on spending will be missed. "It's the end of the honeymoon," said one disconsolate banker.

"We're all quite amazed," observed Mr Peter Davey of brokers Frankel Pollak Vinderine, "Its all so sudden, everything seemed to be going so well, particularly with the economic team of Keys and [deputy finance minister Alec] Erwin."

The bond market felt the blow particularly keenly, as Mr Key's resignation prompted fears that the government's control over public expenditure would now be loosened.

Investors feared that strict controls on public spending in Mr Key's June budget would now not be implemented and that the government would be tempted to meet its many new spending commitments by increasing its borrowing.

"Keys was seen as a tough negotiator who could stand up to the many competing claims on the governments resources," said Mr Graham Bell, head of bond research at Baring Securities in London. "The markets were also unnerved by the manner of the resignation, which was basically bad PR."

"Mr Keys had credibility in the eyes of the financial markets," said Ms Wendy Niffikeer, senior economist at IBJ International. "His resignation will dash investors' confidence in South Africa as an emerging market in which they can invest strongly," she said.

Reporting by Mark Suzman in Johannesburg and Philip Gawith, Tracy Corrigan, Graham Bowley and Michael Morgan in London

Arafat looks to future capital in Jerusalem

By Julian Ozanne in Jericho

Mr Yassir Arafat flew into Jericho on an Egyptian helicopter yesterday for an emotional reunion with the West Bank after 27 years' exile, and to press his demands for a speedy expansion of Palestinian self-rule beyond Gaza-Jericho.

In a whirlwind visit to the capital of Palestinian self-rule, Mr Arafat, still croaking from too many speeches during his historic four-day homecoming, blew kisses to an excited crowd, vowed to build a Palestinian state with Jerusalem as its capital, swore in the first Palestinian self-government and held a series of meetings with dignitaries and well-wishers.

Mr Nabil Shaath, senior Palestinian negotiator, said Israel, which has hailed Mr Arafat's visit as a "triumph of common sense and pragmatism", had upgraded its delegation for talks in Paris today to cover redeployment of Israeli troops in the West Bank and an early transfer of authority.

Mr Arafat has asked Israel to redeploy its troops out of Palestinian population centres in the West Bank, the second major phase of the peace process, by August to allow Palestinian elections in mid-October.

Mr Yitzhak Rabin, who will meet Mr Arafat in Paris for the first high-level negotiations since the signing in May of the Gaza-Jericho accord, vowed to strengthen the peace process with Palestinians, despite right-wing Israeli protests against Mr Arafat's return to Gaza and Jericho.

"With all the protests and the shouting, we will continue with the peace process. We got a mandate from the people and we will go on with it," Mr Rabin told trade unionists.

In Jericho, a crowd of 3,000-5,000 joyous Palestinians pushed and shoved to get their first glimpse of "Mr Palestine". PLO officials blamed the poor turnout on Israeli demonstrations and restrictions which stopped many Palestinians from the West Bank arriving.

As soon as Mr Arafat stepped off his helicopter in a cloud of dust, one boy shouted: "I see him, I see Abu Amar" – referring to the veteran PLO leader by his *nom de guerre*. Others shinned up telegraph posts and pushed against security forces, breaking down a wire-mesh fence in the frenzy to see more than the tip of Mr Arafat's head surrounded by bodyguards in olive-green uniforms.

To the applause of the crowd, Mr Arafat embraced orthodox Jews in black hats and coats from the small Neturei Karta sect, which supports the creation of a Palestinian state on the grounds that it will hasten the coming of the Messiah.

Mr Arafat then sped through the town centre in a convoy of jeeps, fire engines and at least 12 ambulances, their sirens wailing. Two Palestinian youths rode on horseback with the motorcade.

Later Mr Arafat took the oath of office on a Koran covered with white shells, then swore in 12 members of the Palestinian national authority, a *de facto* cabinet.

Mr Shaath, planning and economic co-operation minister, said the authority got to work in its first official meeting and took several decisions including negotiating strategy in Paris and a plan to build 25,000-30,000 new housing units and create 20,000-25,000 jobs in the next 12 months.

Yassir Arafat shakes hands in Jericho yesterday with Rabbi Moshe Hirsch of the Neturei Karta Jewish sect which does not recognise the state of Israel and supports the idea of a Palestinian state *Picture: Reuter*

Cabinet short on experience and lacking electoral tests

By Julian Ozanne

The Palestinian national authority sworn in before Mr Yassir Arafat in Jericho yesterday is short on experience and made up largely of loyalists who depend on the PLO chairman for their political position.

The authority, a *de facto* cabinet, contains a cautious balance of people from the West Bank, Gaza and the "leadership in exile", prominent families and both the Islamic and Christian Palestinian communities.

Few of the "ministers" have any proven administrative ability or have passed an electoral test. None is expected to pose any real threat to Mr Arafat's way of centralising power and ruling by fiat.

The position of all the ministers, who will rule as a caretaker or interim government until national elections expected in mid-October, is likely to be fragile in the face of a Palestinian population anxious for democracy after 27 years of Israeli occupation. During those three months they will have enormous problems in producing any tangible results in solving day-to-day problems of unemployment, poverty and inadequate services facing the 900,000 Palestinians now under self-rule.

But some of the ministers do have a technocratic record in the portfolios to which they have been appointed, among them Mr Yassir Amr, education minister, and Mr Riyad al-Zanoun, health minister. But it is unclear if they will be allowed to exercise real power.

"The fundamental question about the authority is going to be whether Mr Arafat will give them the authority to implement decisions," one PLO official said. "In the past, he has never delegated. If he carries on this way, we are going to have tremendous problems with decisions delayed, changed arbitrarily and overruled on the personal whim of President Arafat."

Concern about the authority's real power, democracy and credibility have been reflected in Mr Arafat's difficulty in recruiting members. Mr Mahmoud Abbas and Mr Farouk Kaddoumi, two of the most senior PLO leaders, have refused positions on the authority and chosen to stay at PLO headquarters in Tunis.

Mrs Hanan Ashrawi, former PLO spokeswoman, also turned down a job. Mr Faisal al-Husseini, the man with perhaps the greatest independent political base in the West Bank, refused to be sworn in yesterday as minister without portfolio on the excuse that his responsibility to the 150,000 Palestinians in Arab East Jerusalem was beyond the geographical limits of self-rule in Gaza-Jericho.

At least five places on the 24-member authority have yet to be filled as Mr Arafat continues to cajole opposition figures into taking some seats.

Nobody symbolises the nature of the authority more than Mr Nabil Shaath, minister for planning and economic co-operation. Aged 55 and a businessman with one of the biggest publishing and management consultancy companies in the Arab world, he led the PLO negotiating team with Israel and Mr Arafat has, so far, made him front man for self-rule. Mr Shaath, respected for his intellectual, organisational and communications skills, has no political base in the West Bank or Gaza. Many Palestinians see him as more Egyptian than Palestinian.

Mr Mohamed Zuhdi al-Nashashibi, finance minister, is closely associated with Mr Arafat. He comes from a prominent Jerusalem family, is head of the PLO economic department, and is a member of the PLO executive committee. His power was substantially increased yesterday when the "cabinet", among its first decisions, transferred responsibility for the annual budget from the development council to the finance ministry.

Two members of the authority represent the Palestinian Democratic Union, or *Fida*, a small breakaway political party set up in 1993 with marginal popular support. Fida has, with reservations, supported the peace process and backed Mr Arafat.

Mr Yassir Abed-Rabbo, 49, a leader of Fida and a PLO executive committee member, becomes minister for arts, culture and information. Mr Azmi Shuaibi is made minister of youth and sports. Mr Elias Freij, Christian mayor of Bethlehem since 1972, becomes minister for tourism and monuments.

Japanese tax cuts promise confirmed

By William Dawkins in Tokyo

Japan's new government yesterday confirmed it plans to cut income tax, in a bid to stimulate domestic demand and curb the trade surplus.

"By promising tax cuts for next year, we have made clear our consideration of the economy," said Mr Masayoshi Takemura, finance minister.

He was, however, unspecific on how to fund the tax cut beyond indicating there would be a rise in the 3 per cent sales tax at an undefined later date. In the meantime, the government would avoid issuing deficit-financing bonds "too easily", he said. The tax cut is expected to be of the same order as this year's one-off Y6,000bn (£39bn) income tax rebate which was decided by the former government of Mr Morihiro Hosokawa and was to last for one or two years.

This indicates the new government is going for an expansionary economic policy, to reinforce the signs of a fragile upturn from Japan's longest recession since the second world war.

The prospect of a resultant fall in the trade surplus helped the yen weaken slightly yesterday, closing at Y99.5 to the dollar in Tokyo, from Y98.67 the previous day. However, fears that the government will have to issue more debt provoked a sharp drop in government bond prices.

An outline tax plan will be presented at the Group of Seven summit of leading industrial nations in Naples at the end of the week and the government hopes to draft details of overall tax reform by the end of the year.

A rise in sales tax would be doubly controversial for the three-party coalition. The government is already unpopular because of the manner in which it seized power last week. The Social Democratic party of Mr Tomiichi Murayama, prime minister, opposed the introduction of sales tax in 1988 and is loth to increase it.

Uncertainty over future funding is unwelcome to the Finance Ministry, which has always argued that an income tax cut and sales tax increase must be decided simultaneously. It fears the budget deficit could rise out of control at a time when Japan's ageing population is set to make increasing demands on social security spending.

Tax revenues fell short of spending in 1993 – by Y568bn – for the third year in a row, the ministry said yesterday. It will make up the shortfall by borrowing from a state fund set up for this purpose.

Taiwan hints at end to curbs

Taiwan yesterday called on China to recognise the "temporary reality" of two separate governments on either side of the Taiwan Strait and urged Beijing to renounce the threat of force against the island, Laura Tyson reports from Taipei.

Officials also hinted that curbs on cross-strait economic ties would be eased and re-establishment of direct transport links hastened, although observers said nothing substantively new was offered.

Morocco plans to extend scope of privatisation

By David White in Casablanca

Morocco is planning to extend its privatisation programme to include sectors such as power generation which until now have been considered out of bounds for the private sector.

Mr Abdellatif Filali, prime minister, emphasised the need to reduce the state's role when meeting business leaders in Casablanca yesterday, in his first major economic policy statement since he was appointed a month ago.

Earlier, he told foreign journalists that privatisation was "an absolute necessity". Morocco needed to develop foreign and domestic investment to combat a 15-16 per cent unemployment rate. The government would do "the maximum" to help the country's private sector and cut red tape.

It would seek safeguards to prevent a loss of control over "strategic" activities such as banking; in certain cases the state might keep majority shareholdings. But Mr Jettou Driss, commerce and industry minister, said: "Nothing is excluded. There are no taboos".

Morocco has so far sold control of 22 companies to foreign and domestic investors under an initial programme covering 75 companies and 37 hotels to be privatised by the end of next year. These include Société Nationale d'Investissement, a state holding company with interests ranging from brewing to banking. The programme is expected to bring in some Dirham 17bn (£1.2bn).

Sectors excluded so far from the programme, such as public utilities, the Samir oil refining company, and Office Cherifien des Phosphate, the phosphate company, will now be considered for privatisation. "It is possible to associate the private sector with everything," Mr Driss added.

Plans include giving private companies responsibility for future electricity plants and possibly selling off some existing power stations. Distribution of electricity would remain in state hands although possibly with minority private-sector shareholdings.

Pledge on Rwandan refugee zone

French troops will 'retaliate'

By David Buchan in Paris

French troops will "retaliate" if the refugee zone they have created in south-west Rwanda is attacked, Mr Alain Juppé, France's foreign minister, said yesterday.

But French officials said that, after capturing the capital Kigali, the rebel Rwanda Patriotic Front (RPF) forces had by midday yesterday stopped some 10km short of the line created by French and Senegalese troops around the rapidly filling refugee zone.

The French Foreign Ministry said the number of refugees had doubled in the past few days to 400,000, without specifying their ethnic origin, and French troops had on Monday disarmed militia whose "behaviour was threatening".

Mr Juppé said it was nonsense to suggest France was establishing the safe haven "as a means of protecting government troops or of blocking the RPF". He told a press conference the main part of the government forces lay outside the refugee zone, while a French envoy had discussed in Kampala, Uganda, on Monday with General Paul Kagamé, the RPF military leader, "ways of putting the security zone into effect".

The French foreign minister said it was absurd to think "the total victory of the RPF would settle the problem" and that, after the fall of Kigali to the RPF, "the reasons for a ceasefire are all the greater".

Admiral Jacques Lanxade, French chief of staff, affirmed yesterday French troops would "continue to be neutral" so as to help "all those who felt themselves threatened".

Reuter adds from Kigali: The RPF said yesterday it would form a government within days and declare a ceasefire but hit out at France for what it saw as threats over the safe zones. Maj Gen Paul Kagame, RPF commander, said at a seized Kigali barracks: "The French must recognise our sovereign rights in our own country. We don't mind having zones where civilians will be protected but the way the matter is being handled raises questions. It comes across as a threat."

ABB in China power deal

By Michael Lindemann in Bonn

The German subsidiary of Asea Brown Boveri, the Swiss-Swedish engineering group, yesterday signed letters of intent to start up six joint ventures to build power plants and electric locomotives in China. The signing was one of several at which Chinese officials put their names to a variety of deals with 17 German companies worth \$3.5bn (£2.28bn) during a week long visit by Mr Li Peng, the Chinese premier.

Germany has become China's most important trading partner in the European Union with trade in 1993 totalling DM23.4bn (£9.53bn), according to the Asia committee of federation of German industry. German exports stood at DM9.6bn, up 67 per cent on the year before, while imports rose 18 per cent to DM13.7bn.

ABB said it would take several months to work out further aspects of the joint ventures and it could not give any financial details.

Five joint ventures will build and refurbish powers stations with a generating capacity 4,000MW, the biggest of which will be a 1,000MW combined gas turbine power plant near Hong Kong. A sixth joint venture will manufacture electric locomotives with the Zhuzhou Electric Locomotives Works in Hunan province.

The company said it expected Chinese orders worth over DM1bn from China this year.

Mr Günter Rexrodt, the economics minister, said much could be done through closer economic contacts to improve the human rights situation in China. "We achieved the same thing with the Soviet Union and other countries in the former eastern bloc," he said.

About two dozen parliamentary delegates from Chancellor Helmut Kohl's Christian Democratic Union wrote protesting about the Chinese human rights record and questions about what the Chinese will do about their political prisoners have featured in many conversations between Mr Li and his German hosts.

Klöckner-Humboldt-Deutz, one of the world's leading makers of diesel engines, signed a letter of intent to set up a joint venture with the China First Automobile Group which plans to make around 100,000 engines by the year 2002.

Klöckner signed another two contracts worth DM40m to build two cement-making plants.

BASF, the chemicals group, said it had signed a contract to build a plant near Shanghai which will produce auxiliary products for textiles, part of DM220m which is being invested by a Sino-German joint venture in which BASF holds a 60 per cent stake.

KSB, the pump maker, said it closed a contract for a \$22m joint venture with the Shanghai Pump Works which will start work in April.

German president Roman Herzog greets Li Peng in Bonn Reuter

Ex-Pact states in tank talks with Germany

By Michael Lindemann

Krauss-Maffei, makers of the Leopard II battle tank, are in "growing discussions" about delivering tank technology to members of the former Warsaw Pact in central Europe.

Such deals are still forbidden under laws which prevent Germany from exporting to countries with which it is not allied, but there have been indications that restrictions on exports to central Europe will be lifted much sooner than similar bans on exports to sensitive areas in the Middle East.

"These talks are taking place not only at the defence ministry but also at company level," Mr Gerhard Haas, the head of Krauss-Maffei's military hardware division, said in a recent interview.

Such agreements would include exchange of information about all aspects of tank manufacture, including electronics and armour, the company said.

The new Leopard II is now the main battle tank in Germany, Switzerland and the Netherlands, while Sweden is shortly expected to sign a DM1bn (\$628m) contract to buy 120 tanks with the possible purchase of a further 80 in the future.

While about 75 per cent of Germany's arms building programmes are already undertaken in co-operation with several Nato allies, the closer links with Sweden are the first such initiative with a non-Nato member.

The German defence ministry, however, said it had no knowledge about deals to deliver technology. A spokesman said there were several agreements with Poland, Hungary and other central European states to co-operate on education and other contacts designed to develop greater confidence between armies which faced each other, fully armed, for over 40 years.

There are indications that curbs on exports to central Europe will be lifted

Military production in the former Warsaw Pact countries has been in steep decline since the 1989 collapse of communism, further exacerbated by the loss of markets and lack of funds to restructure or convert outmoded military hardware factories.

Mr Burkhard Wollschläger, chief executive, said Krauss Maffei was also working with Mercedes-Benz and the French companies Giat and Panhard on a medium-sized armoured vehicle due for development in 1996.

Krauss-Maffei, which is 71 per cent owned by the industrial conglomerate Mannesmann, has not produced any new tanks since April 1993 but is presently upgrading 225 Leopards for the German army and will begin work on another 180 for the Dutch armed forces.

Kantor claims success for trade benefits policy

By Nancy Dunne in Washington

US policy of linking improvements in labour and intellectual property rights in developing countries with the tariff-free benefits granted under the US Generalised System of Preferences has yielded "substantial results", according to Mr Mickey Kantor, the US trade representative.

In the last year the US has monitored worker rights in 10 countries and intellectual property disputes in eight.

These countries could lose their GSP benefits unless they show improvement in the two areas.

Mr Kantor said five of 10 countries reviewed for labour violations had made enough progress to be dropped from the list of scrutinised countries. They are: Bahrain, El Salvador, Fiji, Oman and Peru.

El Salvador, for example, enacted a reformed labour law in close consultation with the International Labour Organisation, and violence against workers was found to have abated. Oman has joined the ILO and asked for assistance in drafting a new labour code.

Five countries which made less progress stay on the US review list.

These are: Dominican Republic, Guatemala, Maldives, Pakistan and Thailand.

Eight countries reviewed for intellectual property protection made "important gains". Egypt, Guatemala and Cyprus were dropped from the list, while Dominican Republic, Honduras, El Salvador, Poland and Turkey remain.

Shippers compromise on Atlantic routes

By Charles Batchelor, Transport Correspondent

Shipping lines which have set up a controversial price-fixing agreement on north Atlantic cargo routes yesterday put forward compromise proposals to the European Commission.

Plans to revise the Trans-Atlantic Agreement (TAA) to meet Commission objections were unveiled in Brussels by Lord Sterling, president of the European Community Shipowners' Associations.

The Commission said it could not respond to the new proposals until it had time to study them, but the British Shippers' Council, representing most large UK exporters, said the changes did not go far enough and it would still press for a dismantling of the TAA.

The TAA is an agreement between 15 large shipping lines accounting for about 85 per cent of sailings between northern Europe and the US, to regulate rates and capacity. Its members include many large container shipping lines such as P&O, Maersk and Nedlloyd.

Exporters claim that the TAA, which came into effect in 1992, has pushed up freight rates by as much as 100 per cent. The shipowners say an agreement, or "conference," is necessary to put an end to large losses made on the north Atlantic routes.

"We believe the revised agreement will provide new and welcome flexibility," Lord Sterling said yesterday.

"It is not a climbdown. It is the result of months of discussions to meet the concerns of the shippers while taking note of where the Commission stands."

The new proposals will make it easier for small shippers to negotiate deals with TAA members. They will also allow shippers to reach agreements with just five of the shipping companies involved in the TAA.

Shippers will also be able to negotiate different rates for specific quantities to be moved under general service contracts.

On the question of tariffs, shipping lines will be able to take independent action to set rates after only five days' notice instead of 10 at present.

Caricom to apply for Nafta membership

By Canute James in Bridgetown

The 13 member countries of the Caribbean Community (Caricom) are to apply to join the North American Free Trade Agreement rather than risk losing exports and being put at a trading disadvantage.

Caribbean and Central American states have been seeking "parity" with Mexico in exporting to the US and Canada as one way of protecting their markets. However, Caricom leaders decided at their annual meeting in Barbados this week that they are being asked to concede too much in exchange for parity, and stand to gain more through actual membership of Nafta.

This change of policy follows publication of a report by the World Bank suggesting that Caribbean basin countries will lose millions dollars in exports because of the Nafta accord. Caricom leaders described an interim trade agreement proposed by President Bill Clinton's administration as inadequate, and said the Community had to prepare itself for full accession.

Fearing the loss of markets in the US and Canada to a more competitive Mexico, Caribbean and Central American countries had asked for parity with Mexico for a range of products exported to the US. These included clothes and textiles, leather goods, petroleum products and tuna.

Mr Al Gore, US vice-president, said recently that the administration was seeking congressional approval for the removal of quotas and duties on Caribbean Basin clothing exports to the US. "We asked for the Caribbean basin countries to be given Nafta parity, and we got a limited offer for garments and textiles," said Mr Percival Patterson, Jamaica's prime minister.

"There has been no response on leather goods, petroleum products and tuna. In return for the limited offer on garments and textiles, we are being asked to sign bilateral investment treaties, agreements on intellectual property rights and to waive deferments to developing countries which are allowed under sections of the Uruguay Round. All of this we are being asked to do for limited gains."

Caricom had decided that too much was being asked of the region and too little was being granted, he said.

The World Bank report says Nafta "may pose large export losses for individual Caribbean countries".

The report estimates the displacement of Caribbean exports by Nafta at between \$35m and \$53m annually, and says that this is only slightly less than the combined total exports to the US of Barbados and St Lucia.

The Dominican Republic, followed by Jamaica and Haiti "with 45 per cent to 60 per cent of their exports subject to displacement, are likely to be the most affected countries, followed by Dominica, St Lucia and St Vincent".

Executives stress that plan to expand Land Rover Discovery production financed from Rover's own earnings

Rover invests £68m under BMW control

By John Griffiths

Rover Group yesterday announced its first substantial investment programme under the ownership of German carmaker BMW: £68m to expand capacity of the Solihull factory producing its highly successful Land Rover Discovery four-wheel-drive model.

The expansion, to be completed by early next year, is one of the biggest spending projects on a single plant announced by Rover in recent years.

Land Rover is believed to have been one of the major attractions to BMW in deciding to launch its takeover. It has given the German executive car maker instant access to a valuable international market in which it had no existing expertise.

Land Rover, which is also to launch a new generation of its flagship Range Rover model in the autumn, generated the lion's share of Rover's profits last year, allowing the UK vehicle maker to report a £56m profit before interest compared with a £49m loss in 1992.

Rover executives stressed last night that the project is to be financed from Rover's own earnings. There will be no contribution from BMW, which bought Rover for £800m plus debt assumptions at the start of this year and which pledged to allow Rover to operate autonomously.

"It had been envisaged for some time, before the BMW takeover in fact, that the investment would be necessary in order to meet soaring demand", said a Rover spokesman.

The expansion will allow Land Rover, the Rover group's four-wheel-drive subsidiary, to increase production of the Discovery by a further 20 per cent to 1,500 a week and confirm it as one of the most successful vehicles ever to be launched by Rover, formerly BL.

The model was launched in 1989 at a production rate of 270 a week and within a few months became the UK's best selling four-wheel-drive model.

Since then production has been increased a total of nine times, creating an extra 1,600 jobs at the Solihull factory, near Birmingham, which now employs 9,700. It is currently also producing the utility Land Rover Defender at a rate of 500 a week, including kits for assembly overseas, and the up-market Range Rover at a rate of 300 a week.

It is expected that the latest expansion will create some further jobs, although Rover said last night it was too early to say how many.

Discovery sales last year reached 36,433 vehicles world-wide, representing one-half of Land Rover's total sales. Its image is in sufficiently high standing for Honda, which is still collaborating with Rover despite the BMW takeover, to be selling the vehicle under its own name, as the Honda Crossroads, in Japan.

The production expansion is partly to cater for demand in the North American market, where the Discovery was launched only three months ago. Land Rover expects sales of the Discovery in the US to total more than 6,000 this year and more than 10,000 in a full year. US sales of the Range Rover and Defender ranges rose by 16 per cent to a record 4,907 last year.

OECD backs critics over Pergau aid

By Jimmy Burns

THE OECD has given a cautious formal endorsement to domestic criticism of Britain's use of aid to Malaysia to help build the Pergau dam.

In a report on the UK's programme published yesterday, the OECD endorses last October's National Audit Office criticisms of the government for approving aid funding for the project against overwhelming commercial and technical advice from government officials.

The report states: "The British government operates its aid programme alongside diverse foreign policy and commercial interests. Conflicts of objectives can arise on occasion, as in the case of the Pergau project."

The report by the OECD's Development Assistance Committee is couched in terms that reflect the organisation's consensual approach, but it raises concern over Pergau to an international level.

The report, published after a long delay, makes clear it considers the Pergau affair to have vindicated previous reports by the committee criticising Britain's aid-and-trade provision (ATP) which is supposed to support development projects of value to British industry. It pinpoints criticisms of ATP by non government aid organisations, including:

- that it creates a conflict of objectives between the commercial need for quick decisions and the need for full appraisals of the social, environmental and economic aspects of the proposal.
- that it benefits affluent countries disproportionately, diverting aid from the poorest.
- that ATP projects distort development planning and country strategies.
- that ATP projects, because they are concentrated in a few sectors, create a vested interest and a lobby which "may not always give as high a priority to development as aid officials might wish".

The government has defended ATP on the basis that it enables British companies to enter markets where they have to contend with aid-backed offers from their competitors.

The report notes that the government has undertaken a review of ATP, implementing tighter procedures for the appraisal, approval, and monitoring of individual projects,

The aid and trade rules were changed last year so that a country as prosperous as Malaysia could no longer qualify for bilateral aid. The OECD has been told by officials that the ATP will in future focus on creditworthy low-income developing countries with a GNP per head of below $700.

In a more general comment on UK aid policy, the report concedes that Britain now has a "highly concessional, business-like bilateral programme" largely orientated towards the developing countries.

Training under fire

The performance of Training and Enterprise Councils, the employer-led bodies charged with transforming vocational training in England and Wales, has "fallen short of initial expectations", according to a report from the Organisation of Economic Co-operation and Development. The judgment is contained in an unpublished note produced for last month's OECD jobs study which is critical of the UK's educational and skills base.

Division over full employment strategies

By David Goodhart
Labour Editor

Employers, unions and the British government yesterday committed themselves to the goal of full employment, but differed sharply over the means, at the Looking Forward to Full Employment conference organised by the Trades Union Congress.

Mr David Hunt, employment secretary – whose presence caused a demonstration outside and the non-attendance of several union leaders – said Britain had to "combine US-style job creation and enterprise with the kind of social standards we in Europe expect".

Mr John Prescott, shadow employment secretary, raised the spirits of the 300-strong audience, when he said "it is possible the create a million jobs during a period of government".

Mr Hunt is the first cabinet minister to attend a TUC conference for more than a decade. His reception was not enthusiastic, but hecklers were firmly dealt with by TUC stewards and he received polite applause at the end of his speech.

He welcomed the growing consensus that active labour market measures had to concentrate on the long-term unemployed. But he said some unemployed people needed to change their attitude to the new service-sector jobs.

He said there was still a role for unions in the battle against unemployment but this should be in the workplace. He attacked the "discredited" union link with the Labour party at national level.

Mr John Monks, TUC general secretary, contested the de-regulatory approach of the government. He said: "We need new national institutions to improve competitiveness and employment. We have a good record in health and safety at work because we have strong national regulations. If we did the same with training we might get better results."

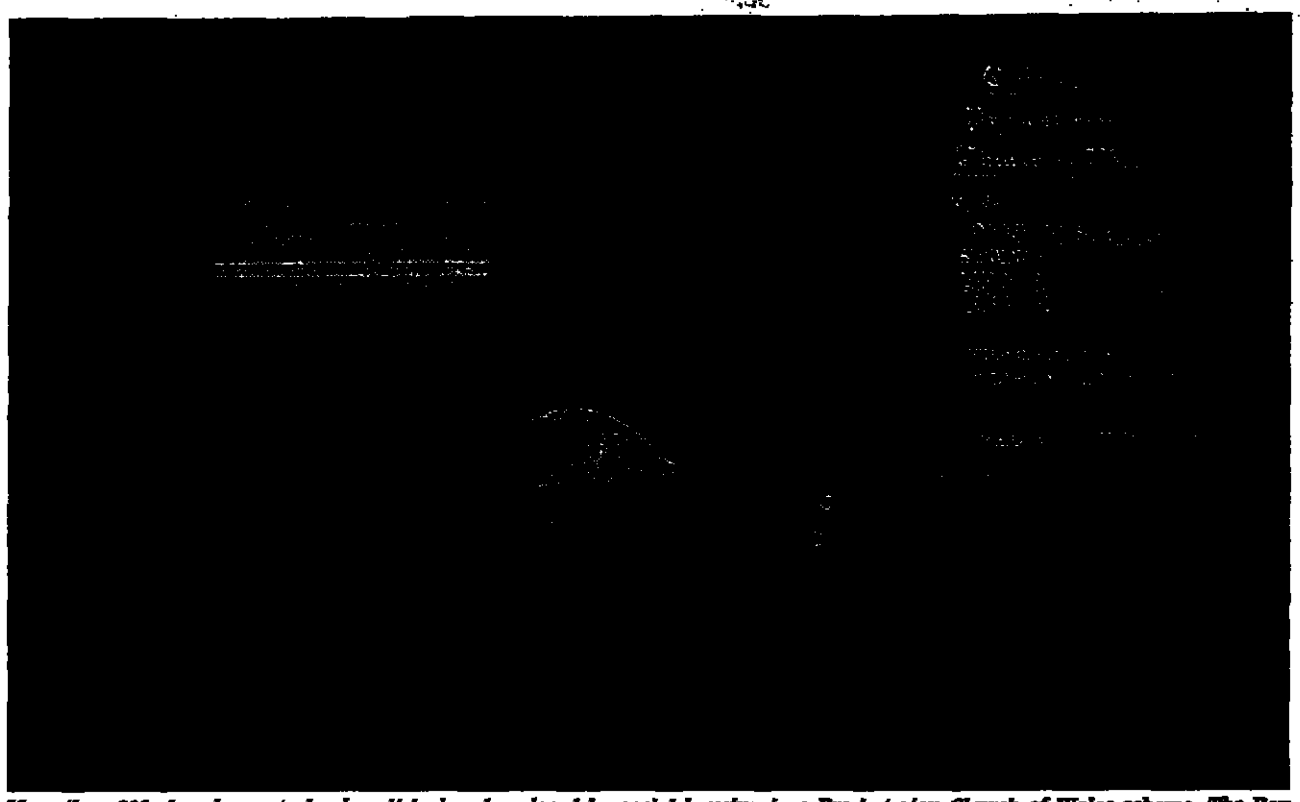
Mr Monks said that there was "strong suspicion in trade union circles that mass unemployment had been a deliberate act of policy".

He accepted that demand management alone could not solve the problem but criticised the fact that the recent European Union paper on job creation "had been shuffled off the table by Finance Ministers".

Mr Howard Davies, director-general of the Confederation of British Industry, said that "if a government with a policy commitment to full employment were elected we would not take our bat home." He also revealed that the CBI was surveying employers about the skills of the unemployed who present themselves for work.

In an indirect attack on the Institute of Directors he added that: "Our employment policy committee puts a higher priority on its unemployment related work at present than on proposing new and exciting reforms of employment law".

He said that companies which will not commit to becoming Investors in People - the government-backed scheme linking training to business needs - deserve "pressure from below".



More than 300 chapels are to be demolished and replaced by social housing in a Presbyterian Church of Wales scheme. The Rev Daffyd Owen, pictured, general secretary, says chapel capacity can exceed total adult population. The church has 977 chapels in all.

Hard graft against 'wicked' CAP

Deborah Hargreaves on the problems facing Britain's small farmers

Mr John Thompson works an 80-hour week on his dairy and sheep farm on the north Yorkshire moors near Whitby. The holding is not big enough to make it worth employing another pair of hands, but the 56-year old farmer is fed up with the hard graft and is considering giving up his cows and developing a Bed and Breakfast business.

The long hours and poor pay for Britain's 150,000 small farmers make them a dying breed. They are either leaving the business or taking part-time jobs at the rate of 2,000 a year. Today they take their plight to Westminster where a group will press Mrs Gilian Shephard, agriculture minister, to agree to changes in the Common Agricultural Policy that will favour small producers.

"The public agrees to support agriculture because they think the money is going to small farmers like us," says Mr James Mulford, chairman of the Small Farmers Association, "but 80 per cent of CAP spending goes to 20 per cent of the biggest farmers: it's wicked."

Mr Mulford does not want any additional cash, he wants CAP funds to be spread more evenly by setting a cut-off point after which large holdings would fail to qualify for aid. This would stop hundreds of thousands of pounds in subsidies going to Britain's big grain barons who are among the richest landowners in the country.

"These subsidies are just pure profit to some of my larger neighbours, but every pound of aid I get goes to pay for food for my family," said Mr Mulford, who farms 200 acres in Suffolk.

A small farmer typically has a holding of less than 200 acres with 80 per cent of the family's income generated on the farm. Although under this definition almost half of Britain's farmers can be termed small, Mr Mulford argues that their voices are never heard. "We're totally ignored because we're just physically too busy to go to meetings."

At the same time, smaller producers reason that they are caught in a vicious circle – if large farmers are enjoying a good year as is currently the case, their desire to expand pushes up land prices and the cost of agro-chemicals is increased, making it harder for small farmers to compete.

Many large farmers are hoping to buy up their smaller neighbours in an effort to cut costs and compete with lower-cost operators overseas when the General Agreement on Tariffs and Trade deal comes into force next year.

Mr Thompson's farm could well get swallowed up by a bigger landowner. It will not support a full-time living when he retires as on 30 of his 80 acres he has only a life tenancy which cannot be passed on. But the Bed and Breakfast business is also uncertain as fewer families choose to spend their main break in Britain.

Mr Mulford is hoping today to convince Mrs Shephard to take notice of the interests of the small producers for a change.

"The large producers dictate the agricultural debate in the UK and also in the European Union, but a small mixed farm is what the public think of as a traditional holding and they want to keep it that way," he declared.

Both sides in rail row to meet soon

By Robert Taylor,
Labour Correspondent

Railtrack chairman Mr Bob Horton and Mr Jimmy Knapp, the RMT transport union's general secretary, will meet soon about the increasingly bitter signalling staff dispute that will paralyse Britain's rail network again today for the fourth successive Wednesday.

That emerged yesterday when the two men appeared before the Commons employment committee. After much pressure from Mr Greville Janner, the committee's Labour chairman, Mr Horton agreed that he should have what Mr Janner called a "little chat" with Mr Knapp over the dispute.

Mr Knapp was quick to accept a meeting with Mr Horton. "Yes, of course. I would be a fool not to say so ", he told Mr Janner.

Mr Janner made it clear at the start of the hearings that he understood that neither side would want to prejudice a return to negotiations to try and settle the conflict.

However, there seemed no doubt that the employment committee was keen to have its say. Observers doubted whether the proceedings did much to clarify the issues at stake or bring the two sides any closer to a settlement.

At one moment a Conservative member of the committee had to restrain an increasingly irate Mr Janner who seemed particularly incensed to discover Mr Horton has been in regular contact with the transport secretary Mr John MacGregor "three or four times" since the conflict began early in June.

Mr Janner insisted that the suffering public had a right to know what the dispute was about in the full glare of the media. It is doubtful whether yesterday's hearings helped in that regard.

If the antics produce a fruitful "chat" between Mr Horton and Mr Knapp they may have been worthwhile, he said.

But the committee is not finished yet. Next Tuesday Mr Macgregor is due to give his side of the story.

Nuclear Electric claims cut in costs

By David Lascelles,
Resources Editor

Nuclear Electric, the state-owned nuclear power generator, yesterday claimed that some of its stations could now produce electricity commercially without the help of a special levy on consumers.

Its five advanced gas-cooled reactors (AGRs) had cut generation costs to 2.6p per unit, which was below its average selling price of 2.7p per unit for the first time. The company hailed this as "a major breakthrough" which reinforced the case for privatisation.

"The time has come for a rethink of our status as a public sector company," said Mr John Collier, the chairman, as he unveiled the company's results for the year ending March 31.

Yesterday's upbeat announcement came only a month after the government launched its wide-ranging review of the nuclear industry, one of whose aims is to determine whether Nuclear Electric can be privatised.

The results showed NE had made strides towards cutting costs and raising its share of the electricity market in England and Wales. Profits amounted to £361m, up from £109m last year. This included income of £1.2bn from the nuclear levy which adds some 10 per cent to electricity bills. NE has set 1995 as the target date for profit without the levy – due to be phased out by 1998.

NE presented its accounts in a way which distinguishes between its current operations and those inherited from the Central Electricity Generating Board. The first made a profit of £702m, and the second a loss of £341m, mainly because the older stations have large clean-up liabilities which are not fully funded.

NE's income from electricity sales was up by 21 per cent to £1.7bn, with most of the increase coming from AGRs which are finally operating efficiently after several decades of development. Productivity measured by electricity produced per employee rose 27 per cent

Poll methods alter after 1992 errors

By Philip Stephens,
Political Editor

An exhaustive inquiry into the failure of opinion polls to predict accurately the outcome of the 1992 general election yesterday put most of the blame on the sampling techniques used by the pollsters.

An independent report commissioned by the Market Research Society said that a late swing among voters from Labour to Conservative in the last days of the election campaign accounted for only between a fifth and a third of the error.

Introducing the report Mr David Butler, a respected psephologist from Nuffield College, Oxford, said that the failure of eve-of-election polls to predict Mr John Major's victory was the "most spectacular in the history of British election surveys".

A team chaired by Mr Butler and including representatives of two of the main polling organisations – MORI and ICM said the quota and weighting systems used to select representative samples did not reflect with sufficient accuracy the social profile of the electorate. The systems, which take into account such factors as age, sex, social class and occupation, were not fully representative.

The opinion polls, which were four percentage points away from the actual outcome for both the Conservative and Labour parties, suffered also from the refusal of many voters to reveal their loyalties during the campaign.

The main polling companies said yesterday that they had already implemented in part or in full the main recommendations of the inquiry.

Some of the pollsters have decided to switch to the use of secret ballot to collect voting intention data.

But the report stressed that there was no single framework available to ensure that the mistakes were not repeated. Mr Butler said also that newspaper reporting should be sensitive to the detail of polling results as well as to the "headline" figures.

Campaigner for Lloyd's investors driven into bankruptcy

Andrew Jack on the £2.9m petition from Latsis bank which prompted action

A leading campaigner for dissident members of the Lloyd's of London insurance market yesterday admitted that he had been driven into bankruptcy.

Mr Christopher Stockwell, chairman of the Lloyd's Names Associations Working Party, was served with a petition for nearly £2.9m by a bank ultimately controlled by the family of Mr John Latsis, the Greek shipping billionaire.

The move is not directly related to Mr Stockwell's participation in underwriting syndicates at Lloyd's, but means it is highly unlikely that he will be able to pay off outstanding debts to the insurance market.

It may also add to pressure by some groups for his removal as chairman of the association, which has acted as an umbrella group for loss-making Names taking legal action. Names are the individuals whose assets have traditionally backed the market.

Mr Stockwell said yesterday that the bankruptcy was driven by his inability – because of demands from Lloyd's syndicates – to pay off loans secured against his personal assets. He said he planned to continue in his campaigning role.

"There are a great number of younger Names who have got both Lloyd's losses and consequential losses," he said. "I am very sorry about [the petition]. It is very unpleasant for any Name. It is not a situation anyone would set out to create."

He said he had already paid out "hundreds of thousands of pounds" to Lloyd's syndicates until running out of money last year and his outstanding debts were £2.5m "and rising very fast". He had also applied for "hardship", an alternative Lloyd's scheme to bankruptcy.

Lloyd's said yesterday that it was aware of Mr Stockwell's bankruptcy but stressed it had taken no part in the petition, which is being handled by the Official Receiver's office. Any underwriting syndicates owed money would rank alongside all other creditors including a number of banks.

The petition was served by the Private Bank & Trust Company, a London-based bank. Its directors include the son and one of the daughters of Mr John Latsis, the Greek shipping magnate.

The bank specialises in providing banking, fund management and advisory services to private clients with considerable wealth, and is ultimately owned by the Latsis family.

Mr Stockwell owned a number of property and furniture companies, including Stockspring, which owed money to Private Bank and was placed in receivership in 1991. He was paid £59,000 in salary and expenses last year in his role as chairman of the Lloyd's Names Associations Working Party.

Britain in brief

New probe into Haulon textile plan

The recently established House of Commons Northern Ireland committee is to probe aspects of the £157m Hualon textile project as part of its inquiry into employment creation in the province.

The cross-party body is expected to question representatives of Northern Ireland's Industrial Development Board on the subject later this year. A decision on whether to question ministers will be taken later.

The project, to build a Belfast textiles plant, became the subject of controversy in May when it emerged that the European Commission overrode strong objections from its own officials in approving a £61m UK government grant.

The plant - to be built by a Malaysian division of Hualon, a Taiwanese conglomerate - will represent the largest individual investment in Northern Ireland since the failed De Lorean car venture.

Farm accident rate at low

The number of people killed in agricultural accidents last year was the lowest ever recorded, the Health and Safety Executive announced.

Forty-one people died in agricultural and forestry accidents, 11 fewer than the previous year and lower than the average for the last seven years of 60.

However, according to a report by the HSE's economic advisers unit, the cost of work accidents in farming, forestry and fishing are at least £335m a year.

68% of farmers join Marque

Milk Marque, which takes over from the Milk Marketing Board as a voluntary producers' co-operative in November, has signed up 68 per cent of the 28,000 dairy farmers in England and Wales.

Mr Andrew Dare, chief executive, announced that 19,037 farmers had joined and he was confident of signing up about 75 per cent in total, close to his original target of 80 per cent. He also said Ernst and Young, the accountancy firm, would act as auditors to ensure that Milk Marque implements its selling system fairly.

Five faiths recommended

Christianity should be predominant in the religious education taught in English and Welsh schools, but five other faiths must be taught, the government curriculum organisation said yesterday.

The Schools Curriculum and Assessment Authority, chaired by Sir Ron Dearing recommended that all children should be taught the principles of Christianity, Judaism, Islam, Hinduism, Buddhism and Sikhism. Christianity, plus at least two others, must be taught in primary schools.

MPs consider BCCI probe

A select committee of MPs is to consider setting up an inquiry into the fees and conduct of the liquidators to the collapsed Bank of Credit and Commerce International.

Mr Dick Caborne, chairman of the trade and industry select committee, confirmed yesterday that he had received a request for an inquiry and would raise it at a meeting later this month.

The suggestion came from Mr Keith Vaz, Labour MP for Leicester East, who wrote on the third anniversary of BCCI's closure saying it was "essential" that the conduct of the liquidation was investigated.

Midland offers £10 penalty

Midland Bank, one of the UK's four largest clearing banks, launched an aggressive campaign to win personal customers from its competitors, by promising to pay £10 if it failed to meet certain standards in transferring an account from another bank.

MANAGEMENT

John Authers on BP's assessment of its projects in schools and colleges

Lessons in education

What is to be gained from corporate involvement in education? Several multinational companies, which have already poured funds into educational programmes, have been asking this question with increasing urgency.

While the long-term aims may be self-evidently laudable, the precise nature of what they are trying to achieve is not always clear.

BP believes it has now found a means of assessment.

Chris Marsden, BP's head of group community affairs, who unveiled the results of applying the company's new system for assessing its education and general community involvement at the International Conference on Education-Business Partnership in Paris last week, admits that it is not "measurement" of benefits in the hard sense. But, he claims: "Our system allows systematic subjectivity. It is putting numbers to values. Those numbers are based on sound collective opinion and are therefore as valid as anything else."

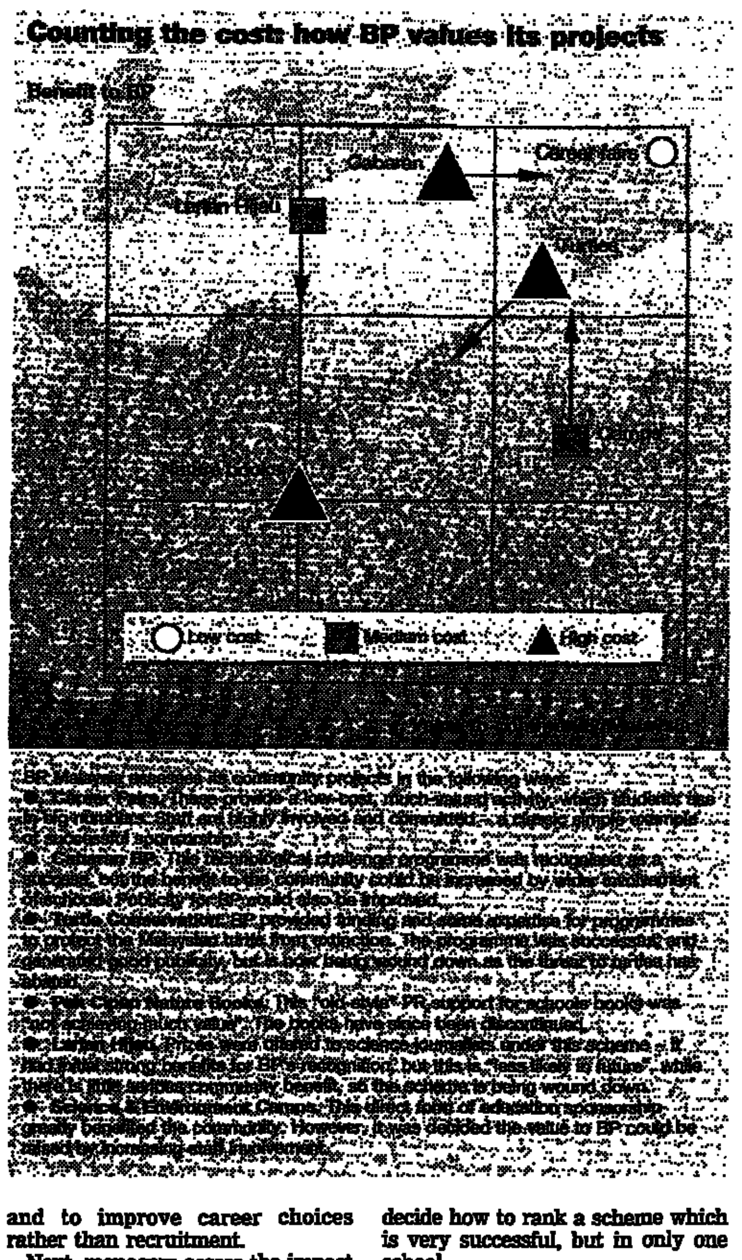
The system has already led BP to drop some programmes completely while adapting others for use elsewhere. Marsden's technique, devised with Professor Alan Smithers of the University of Manchester two years ago, obliges BP managers to form working groups with representatives of the community and education schemes which the company is supporting.

They must then answer a series of questions, which will allow them to position any project on a grid such as the one shown (right).

The format requires managers to analyse what they are trying to achieve for the company and for the educational project. In the case of BP, discussions led to the verdict that any programme should set the following five aims. It should:

- Contribute to the motivation and development of BP staff;
- Create opportunities for the company to understand, influence and learn from education;
- Help recruitment;
- Earn goodwill;
- Give access to resources, expertise and facilities.

This represents a much more sophisticated approach than BP's earlier forays into education, which were regarded largely as public relations exercises. Managers are also expected to rank these five aims in order of importance to their branch of BP, on a scale of one to five.



The benefits for education are analysed according to five "matching" criteria. These are almost identical to those used for the company, but make relevant adjustments – for example, educationalists aim to develop their pupils and students as well as staff, and to improve career choices rather than recruitment.

Next, managers assess the impact of each educational project, allocating a mark out of five for each criterion. Managers must also make a judgment on a target audience – for example, they must decide how to rank a scheme which is very successful, but in only one school.

The score for each criterion is then multiplied by the score for its impact. When these are added together they give two scores – for the benefits to education and to the business. That enables the project to be plotted on a grid, as shown. Costs are also shown, to help investment decisions.

The object is to move further towards the top right-hand corner. The numbers allow comparison between programmes and systematise decisions on whether improvements can be made.

Marsden says participants should not only give a measure for a scheme's current impact, but should also decide whether identifiable changes could help achieve a higher mark. If such changes can be made, an arrow is added to the grid, showing the direction in which a project could move.

Smithers also suggests that if the changes being sought are quantifiable (for example, in short-term recruitment), there may be a case for commissioning market research.

The subjective grid can therefore be used both to spot projects that should be closed and those that need further investment.

Following a trial of the model by BP Malaysia, the company discovered that Cabaran BP had been a big success, giving the pupil participants an excellent learning experience. Cabaran is a scheme in which schoolchildren are set ambitious technological challenges in return for prizes, However, there were opportunities for better publicity by making challenges more televisual.

A version of Cabaran has since been launched in BP Singapore, while several southern Europe companies – Portugal, Spain, Greece and Turkey – intend to adopt it. The idea is that BP companies will be able to learn from – and adapt projects pioneered by – others in the group.

The Pak Cipan range of sponsored glossy nature books, however, drew a different reaction. Teachers and pupils found little use for them, and the only benefits for the company came from limited public relations exposure. The scheme, a typical example of the old PR-led corporate involvement in education, has been dropped.

This reflects the company's business-like approach to education. Its involvement is rooted in enlightened self-interest. As Russell Seal, chief executive of BP Oil, puts it: "This is not a charitable activity but a business tool for enhancing our reputation and licence to operate, and for investing strategically in social infrastructure which has impact on BP's businesses."

● *Assessing the Value, by Alan Smithers and Chris Marsden, BP Educational Service, PO Box 934, Poole, Dorset, BH17 7BR. £10 inc p&p.*

Adrian Furnham finds that turning conventional theories on their head can have intriguing results

Attraction of the opposite

One way of being creative is to think through the opposite of an idea or technique. Academics have performed this trick so often they have the jargon terms of thesis, antithesis and synthesis.

Turning an idea on its head (as Marx did to Hegel) can be useful, mischievous or just plain fun. It can help to define positions, clarify differences and set out clear alternatives. It can also point out the sheer ordinariness or commonsense nature of ideas or concepts, because the opposites are so ridiculous. In a sense antonyms simply do not exist. Thus the opposite of looking for zero defects is to look for zero perfects or 100 per cent defects.

Some opposites are not that obvious. The opposite of managing by walking about (MBWA) could be management by staying in the office (MBSITO) or management by hiding away (MBHA) – surely more fun. But "creative opposites" is an entertaining and useful exercise.


Karl Marx: turned ideas upside down

Thus we have:

● Shoddy squares. Sitting around in circles becoming obsessed with quality might be desirable for the obsessive but it is incredibly boring. Checking for, and throwing out, the odd shoddy product or service system is probably a good idea, but not worth getting excited about.

● Disempowerment. Because responsibility and accountability come with power, so does stress. Empowerment means no one else to blame; being on-call; making executive decisions and facing the consequences of one's own actions. Disempowerment means the easy life and the old excuse that "I was merely following orders . . .".

● Relayering the company. All this down- or right-sizing has been too similar to a vicious cull of the herd. Just as the mature elephants are the embodiment of the wisdom of the herd, so we need to bring back the middle-brow middle-manager and have a deep gateau of management layers to pad out the management structure.

● Thriving on order. Organisations, like the world in general, are too chaotic, capricious and unpredictable to be either enjoyable or beneficial. Management's job is to give order to the organisation, to bring stability to the chances and changes of this world and to abolish chaos.

● De-engineering the organisation. People are not machines and to talk in this language only encourages mechanistic thinking. Re-engineering is not the best metaphor in these people-oriented times. It is too redolent of the "dark satanic mills" of the last century. Perhaps a metaphor from cooking should be used: "Reheating the organisation" or "Defrosting the organisation", for instance.

● Job impoverishment. All that consultant clap-trap of job enrichment ignores the obvious fact that it is not the tedious or routine nature of jobs that make them distasteful, but having to do them at all. Job impoverishment removes horrid jobs. Get everyone to write down on a piece of paper the job they hate the most. Put these in a hat and draw one each to be performed next month. The same work gets done and everyone gets to do a new task.

● Management without objectives: The trouble with management by objectives is that it expends massive and wasteful effort defining and then measuring objectives. Ignore mission statements, section goals and job descriptions. Work relations are optimised under MWO because people love doing their own thing. This is especially true of more senior positions where the undesirable side-effects of lower productivity are of little consequence.

● Time-serving related pay: Performance-related pay means that loyalty to the organisation (40 years at the mast) is not sufficiently rewarded. Young, workaholic, thrusting newcomers are promoted over the steady-as-you-go types. Hence, companies need to stop rewarding effort and ability and indeed support Lifo (last in, first out) and Figs (first in gets support). We could have one-hour (not one-minute) managers; corporate philistinism, not corporate culture.

Lady Thatcher understood the power of opposites. In strident tones she would turn with contempt on the cowed Labour parliamentarian and shout "Tina". This stood for "There Is No Alternative."

She knew, or hoped, that the available alternatives had either been tried before (and found wanting) or were clearly impractical.

Perhaps executives could try shouting "Creative Realistic Alternative Plans" at board meetings and training sessions and see the immediate beneficial effects on the organisation.

The author is professor of psychology at University College London.

LEGAL NOTICES

THE LTV CORPORATION AND SUBSIDIARIES
NOTICE OF (1) ENTRY OF CONFIRMATION ORDER, (2) PLAN OF REORGANIZATION BECOMING EFFECTIVE, AND (3) PROCEDURE FOR RECEIPT OF DISTRIBUTIONS BY HOLDERS OF BEARER SECURITIES

NOTICE IS HEREBY GIVEN THAT:

On May 27, 1993, the United States Bankruptcy Court for the Southern District of New York entered an order confirming The LTV Second Modified Joint Plan of Reorganization dated February 26, 1993, as amended (the "Plan"), filed by The LTV Corporation ("LTV") and sixty-six affiliates. On June 28, 1993, the Plan became effective. Holders of the following bearer securities are entitled to a distribution under the Plan. Surrender of the bearer securities is a required precondition to receipt of the holder's distribution under the Plan. Society National Bank (the "Distribution Agent") has been designated as the agent to exchange the following outstanding bearer securities for the distribution provided by the Plan. To receive the appropriate distribution, holders of the following bearer securities must surrender the certificates for their securities to the Distribution Agent, together with a properly completed and signed Letter of Transmittal and all supporting documents required by the instructions therein. Contact the Distribution Agent at (216) 737-5300 or at the following address for a copy of the Letter of Transmittal and instructions. All holders of registered securities by these or other issuers should have received Letters of Transmittal and instructions by mail. FAILURE TO RETURN YOUR SECURITY CERTIFICATES WITH A DULY COMPLETED LETTER OF TRANSMITTAL BY JUNE 28, 1995 WILL RESULT IN A FORFEITURE OF YOUR DISTRIBUTION AS PROVIDED BY THE PLAN.

Society National Bank
P.O. Box 93567
Cleveland, OH 44101-5567

Dated: July 6, 1994 — The LTV Corporation

PARENT GROUP

CUSIP	DESCRIPTION
502306AA1	LTV INTERNATIONAL NV 5% GUARANTEED (SUBORDINATED) DEBENTURES DUE 1988
502306AC7	LTV INTERNATIONAL NV 10 1/4% CONVERTIBLE BEARER NOTES DUE ON NOVEMBER 1, 1996
760268AB8	REPSTEEL OVERSEAS FINANCE NV 11 1/2% CONVERTIBLE SECURED BEARER NOTES DUE MAY 1, 1996

STEEL GROUP

CUSIP	DESCRIPTION	CUSIP	DESCRIPTION
074876AH6	J&L STEEL CORPORATION FIRST MORTGAGE BONDS SERIES I 8 3/4% DUE 2005 & RELATED DEBT - BEAVER COUNTY IDA PCRB 1975 SERIES A	074876AX1	LEASE - BEAVER CTY INDUS DEVEL AUTH POLLUTION CONTROL REVENUE BONDS 1972 SERIES A (JONES & LAUGHLIN PROJECT)
074876AJ2	J&L STEEL CORPORATION FIRST MORTGAGE BONDS SERIES M 8 7/8% DUE 2005 & RELATED DEBT - BEAVER COUNTY IDA PCRB 1975 SERIES B	271613BM2	LOAN AGREEMENT RELATING TO CITY OF EAST CHICAGO, INDIANA POLLUTION CONTROL REVENUE BONDS SERIES 1982 (JONES & LAUGHLIN STEEL INC PROJECT)
074876BV4	J&L STEEL CORPORATION FIRST MORTGAGE BONDS SERIES P 11% DUE 1990 & RELATED DEBT - BEAVER COUNTY IDA PCRB SERIES 1980	452004AA2	LOAN AGREEMENT RELATING TO IL ENVIRONMENTAL FACILITIES FINANCING AUTHORITY PCRB 1979 SERIES F (REPUBLIC STEEL REVENUE BONDS SERIES A PROJECT) 7 1/4% DUE OCT 1, 1999
074876BX0	J&L STEEL CORPORATION FIRST MORTGAGE BONDS SERIES Q 12% DUE 2010 & RELATED DEBT - BEAVER COUNTY IDA PCRB SERIES 1980	452004AB0	LOAN AGREEMENT RELATING TO IL ENVIRONMENTAL FACILITIES FINANCING AUTHORITY PCRB 1979 SERIES F (REPUBLIC STEEL PROJECT) 7.3% DUE OCT 1, 2004
677525CT2	J&L STEEL CORPORATION FIRST MORTGAGE BONDS SERIES K 8 7/8% DUE 2005 & RELATED DEBT - OHIO AIR QUALITY REVENUE BONDS SERIES 1975-1	452004AC8	LOAN AGREEMENT RELATING TO IL ENVIRONMENTAL FACILITIES FINANCING AUTHORITY PCRB 1979 SERIES F (REPUBLIC STEEL PROJECT) 7.4% DUE OCT 1, 2009
677525EQ6	J&L STEEL CORPORATION FIRST MORTGAGE BONDS SERIES R 11 3/4% DUE 2000 & RELATED DEBT - OHIO AIR QUALITY DEVELOPMENT REVENUE BONDS SERIES 1980-B	452015AX8	REPUBLIC STEEL CORP CONSTRUC FINANC & INSTALL SALES AGREE - IL INDUS POLL CONT FINANC AUTH POLL CONT REVENUE BONDS 1975 SERIES C
677525FA0	J&L STEEL CORPORATION FIRST MORTGAGE BONDS SERIES S 12% DUE 1990 & RELATED DEBT - OHIO AIR QUALITY DEVELOPMENT REVENUE BONDS SERIES 1980-B	677525CA3	LEASE RELATING TO STATE OF OH PCRB 1975 SERIES A (RSC PROJECT) (7 3/4% DUE 5/1/00)
677525CC9	LEASE RELATING TO STATE OF OH PCRB 1975 SERIES A (RSC PROJECT) (6.7% DUE 5/1/87)	677525EA1	LOAN AGREEMENT RELATING TO STATE OF OHIO POLLUTION CONTROL REVENUE BONDS 1980 SERIES G (REPUBLIC STEEL PROJECT)
677658DQ6	LEASE - STATE OF OH WATER DEVELOPMENT REVENUE BONDS SERIES 1973-1 (JONES & LAUGHLIN STEEL CORP PROJECT)	677658PU4	REPUBLIC STEEL CORPORATION LEASE - STATE OF OH WATER DEVELOPMENT REVENUE BONDS SERIES 1972-1
677660AM4	LOAN AGREEMENT RELATING TO STATE OF OHIO POLLUTION CONTROL REVENUE BONDS 1979 SERIES E (REPUBLIC STEEL PROJECT) 7 1/8% DUE OCTOBER 1, 1999	677660AP7	LOAN AGREEMENT RELATING TO STATE OF OHIO POLLUTION CONTROL REVENUE BONDS 1979 SERIES E (REPUBLIC STEEL PROJECT) 7.3% DUE OCTOBER 1, 2004
677525FB8	J&L STEEL CORPORATION FIRST MORTGAGE BONDS SERIES T 14% DUE 2010 & RELATED DEBT - OHIO AIR QUALITY DEVELOPMENT REVENUE BONDS SERIES 1980-B	677660AQ5	LOAN AGREEMENT RELATING TO STATE OF OHIO POLLUTION CONTROL REVENUE BONDS 1979 SERIES E (REPUBLIC STEEL PROJECT) 7.4% DUE OCTOBER 1, 2009
67752SFC6	J&L STEEL CORPORATION FIRST MORTGAGE BONDS SERIES U 12 3/4% DUE 2011 & RELATED DEBT - OHIO AIR QUALITY DEVELOPMENT REVENUE BONDS SERIES 1980-B	NONE	REPSTEEL OVERSEAS FINANCE NV 11 1/2% GUARANTEED BONDS DUE 1988
		NONE	AGREEMENT OF SALE RELATING TO STATE OF AL INDUSTRIAL DEVELOPMENT BOARD OF CITY OF GADSDEN PCRB (REPUBLIC STEEL PROJECT) 1975 SERIES B

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re MACMILLAN, INC., et al., Debtors. — Chapter 11, Case No. 93 B 45825 (TLB), Jointly Administered

NOTICE OF AUGUST 10, 1994 DEADLINE AS THE LAST DATE TO FILE PROOFS OF ADMINISTRATIVE CLAIM

TO: ALL PERSONS AND ENTITIES WITH ADMINISTRATIVE CLAIMS AGAINST THE DEBTORS

PLEASE TAKE NOTICE that on November 10, 1993 (the "Petition Date"), Macmillan, Inc., Macmillan College Publishing Company, Inc., Jossey-Bass, Inc., Publishers, and MCC LDM, Inc., formerly known as Molecular Design Limited, former debtors and debtors in possession (collectively, the "Debtors"), each filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court");

PLEASE TAKE FURTHER NOTICE that on February 18, 1994 (the "Confirmation Date"), the Bankruptcy Court confirmed the Debtors' First Amended Prepackaged Joint Plan of Reorganization (the "Prepackaged Plan");

PLEASE TAKE FURTHER NOTICE that the Bankruptcy Court has entered an order dated June 29, 1994 requiring all persons and entities, including, without limitation, individuals, partnerships, corporations, estates, trusts, unions and governmental units, EXCEPT THOSE PERSONS AND ENTITIES DESCRIBED IN PARAGRAPHS (i) THROUGH (v) BELOW, who assert an administrative claim ("Administrative Claim") (a) arising or deemed to have arisen against any of the Debtors after November 10, 1993 and prior to February 28, 1994 (the "Effective Date"), or (b) arising or deemed to have arisen against any of the Debtors for a debt of a kind specified in 11 U.S.C. § 503(b)(1) including:

(A) the actual, necessary costs and expenses of preserving the estate, including wages, salaries, or commission for services rendered after the commencement of the case;

(B) any tax –

(i) incurred by the estate, except a tax of a kind specified in section 507(a)(7) of [title 11 of the United States Code]; or

(ii) attributable to an excessive allowance of a tentative carry back adjustment that the estate received, whether the taxable year to which such adjustment relates ended before or after the commencement of the case; and

(C) any fine, penalty, or reduction in credit relating to a tax of a kind specified in subparagraph (B) of this paragraph;

11 U.S.C. §503(b)(1), to file a written proof of administrative claim ("Proof of Administrative Claim") by mailing the Proof of Administrative Claim to:

United States Bankruptcy Court
Southern District of New York
Re: Macmillan, Inc., et al.
Bowling Green Station
P.O. Box 99
New York, New York 10274-0099

or by delivering the Proof of Administrative Claim to the Clerk of the Court, 1 Bowling Green, New York, New York 10004 SO THAT IT IS ACTUALLY RECEIVED ON OR BEFORE 5:00 P.M. NEW YORK CITY TIME ON AUGUST 10, 1994 (the "Administrative Claims Bar Date"). Such Proofs of Administrative Claim will be deemed filed only when they are actually received. As used herein and as defined in section 101(5) of the Bankruptcy Code, the word "claim" means: (a) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured;

PLEASE TAKE FURTHER NOTICE THAT IF YOU ARE REQUIRED TO FILE A PROOF OF ADMINISTRATIVE CLAIM AND FAIL TO DO SO IN THE MANNER AND BY THE DATE PRESCRIBED, YOU WILL BE FOREVER BARRED FROM ASSERTING RIGHTS TO PRIORITY IN DISTRIBUTION WITH RESPECT TO SUCH CLAIM UNDER THE BANKRUPTCY CODE;

PLEASE TAKE FURTHER NOTICE that The Maxwell Macmillan Realization Liquidating Trust and The Maxwell Macmillan Proceeds Liquidating Trust (collectively, the "Trusts"), formed pursuant to the Prepackaged Plan, reserve the right to object to any Administrative Claim filed in accordance with the Administrative Claims Bar Date, including its right to object on the grounds that such claim or claims should not be afforded priority status;

PLEASE TAKE FURTHER NOTICE that Creditors holding claims of the type or types set forth in clauses (i) through and including (v) below are not required to file Proofs of Administrative Claim:

(i) Claims of any customer or business vendor whose claim arose out of a transaction in the ordinary course of business or operations of the Debtors or whose claim is based on a contract of a Debtor with an author, illustrator, contributor, agent, editor or licensee for the development and publication of works or a contract for subsidiary rights arising from or pertaining to the development, publication, or distribution of works, including book club contracts, translation rights, permissions, foreign rights, and paperback rights;

(ii) Claims on account of which a Proof of Administrative Claim has already been properly filed with the Court;

(iii) Claims previously allowed by order of this Court;

(iv) Claims for services rendered by professional persons retained in the Debtors' Chapter 11 cases;

(v) Claims by Prentice-Hall, Inc. under the Stock Purchase Agreement, which claims shall be treated and resolved pursuant to the Stock Purchase Agreement.

PLEASE TAKE FURTHER NOTICE that each Proof of Administrative Claim must (i) be in English, (ii) be denominated in lawful currency of the United States; (iii) set forth the specific name of the Debtor against which such Administrative Claim is asserted; (iv) describe the transaction or agreement giving rise or relating to the Administrative Claim; [illegible] (vi) include copies of any invoices, statements or other documents evidencing the amount and/or basis of the Administrative Claim.

PLEASE TAKE FURTHER NOTICE that this notice may be sent to persons or entities who may not have Administrative Claims or who are not required to file a Proof of Administrative Claim. The fact that you received this notice does not necessarily mean that the Trusts believe that you have an Administrative Claim against the Debtors.

Dated: New York, New York
July 8, 1994

MILBANK, TWEED, HADLEY & McCLOY
Attorneys for the Trusts
1 Chase Manhattan Plaza
New York, New York 10005
Attn: John J. Jerome, Esq.
(212) 530-5000

THE MAXWELL MACMILLAN REALIZATION LIQUIDATING TRUST AND THE MAXWELL MACMILLAN PROCEEDS LIQUIDATING TRUST

Angus Foster reports on an ambitious public health scheme to clean up São Paulo's river system

Green river rising

Robert Harding

Through São Paulo city's mass of concrete and shanty towns flows probably one of the most polluted rivers in the world

Brazil's Tietê river, which took slavers and adventurers into the country's interior in colonial times, now carries a less visible but equally dangerous cargo – pollution.

The river flows through the centre of São Paulo city, whose sprawling mess of concrete and shanty towns is home to nearly 17m inhabitants. It is probably one of the most polluted rivers in the world. About 40 per cent of its flow is untreated sewage, because of the city's shortage of sewers and treatment stations. More than 1,000 tonnes of organic waste are dumped in the river daily, along with about 3 tonnes of untreated inorganic waste, including chemicals and heavy metals. In some stretches, the river is biologically dead.

Annual floods wash polluted water into the homes of the urban poor who live along the banks, increasing the risks of diseases such as cholera and leptospirosis.

Worse, the pollution is not quickly carried into the sea. The Tietê flows inland before linking with the huge Parana river. São Paulo's rubbish reaches the sea several thousand miles later, near Buenos Aires.

Now a start has been made on cleaning up the Tietê. A huge project launched in 1992 by the São Paolo state government aims to cut the river's pollution "in half" by next year, and bring the river "back to life" by 2005. The programme may cost $4bn (£2.6bn), making it one of the biggest public health works under way in the world.

The project's general aim is supported by politicians and environmentalists. But its schedule has been criticised as designed to capture public imagination rather than being realistic. Brazil's frequent changes of government often lead to delays of infrastructure projects. Last month, tenders for two sewage treatment stations were put on hold, apparently for political reasons ahead of October's general elections.

More important, São Paulo has suffered from poor long-term urban planning since the capital's rapid industrialisation began in the 1950s. The growth in shanty towns, which are difficult to link to sewage systems, and the lack of industrial zoning, which would group difficult wastes, suggest that cleaning up the Tietê will take longer than the government hopes, and that the already high costs will rise.

The most important element of the project is a planned increase in domestic sewage treatment. According to José Fernando da Costa Boucinhas, São Paulo state's secretary of planning, only 10 per cent of domestic sewage was treated in 1990. This very low rate is partly due to past lack of state government interest, and partly because lax municipalities built sewers straight into the Tietê and its tributaries, rather than building interceptors linked to treatment stations. "The Tietê is the symbol of the project, but most of the pollution comes from the tributaries which flow into it," says Edson José Andrigueti, project co-ordinator.

A $900m first phase, due for completion by the end of this year but likely to slip back to the middle of 1995, is designed to increase this treatment rate to 50 per cent, leading to an immediate improvement in the Tietê's water quality. Most of the increase will stem from the introduction of an activated sludge treatment station to serve three of São Paulo's biggest municipalities in the south.

Work on the station began more than 10 years ago, but has been stalled by successive governments opposed to the project for political reasons or because of financial problems. Some equipment, such as compressors for the station's eight aeration tanks, have been in storage ever since. According to the plant's technicians, this equipment is out of date but will still function.

Money for the first phase came in equal part from Sabesp, São Paulo's state-owned water and sewage company, and the Inter-American Development Bank. A second phase, likely to cost a further $1.2bn, will take the total length of sewers installed under the project to nearly 2,000km and add a further two treatment stations. The target is 100 per cent treatment by 2006, although Andrigueti admits that will be difficult to achieve.

Although domestic sewage and rubbish accounts for about 70 per cent of the volume of pollution in the Tietê, industrial waste is probably equally harmful. São Paulo is home to most of Brazil's biggest polluters, such as its car, chemicals and metals industries. The country's economic problems have provided companies with an excuse to delay environmental spending, even when tougher legislation was introduced five years ago.

The clean-up project targeted 1,250 companies that were deemed the most serious polluters. They were given until the end of this year to arrange pre-treatment of wastes to be discharged into the public system.

According to Boucinhas, 840 companies are now complying, mainly by installing pre-treatment facilities at their sites. According to critics, the effort to clean up the big polluters is welcome, but largely symbolic. Since most of these companies are well-known or multinationals, most had already moved towards pre-treatment. Also, government claims that these companies represented as much as 80 per cent of industrial pollution are challenged by environmentalists, who say it is impossible to measure pollution from São Paulo's thousands of small companies.

"Some companies are doing good work, but many others are not. And [the government] is still only concentrating on what comes out of the end of the pipe rather than on how to help companies improve production processes to reduce pollution," according to Eugenio Singer, president of consultant Semco-ERM.

Independent estimates of the number of small and medium-sized companies that are regular polluters range from 10,000 to 100,000, so it is difficult to guess how long São Paulo's industrial clean-up will take. But the government will have to hurry if it is to meet its 2005 pledge to return the Tietê "to life".

Urbanised shanty town

The shanty town of Jordanopolis, like hundreds of others in São Paulo city, sprang up on unoccupied ground 20 years ago and is now well entrenched. Its precarious brick houses, homes to 800 families, are supplied with electricity, water and – soon – sewers.

Jordanopolis is part of Project Guarapiranga, named after a reservoir in the south of São Paulo city. Four years ago, the reservoir's water, which supplies 3m people, deteriorated rapidly. Chief culprits were the open sewers from shanty towns that have encircled part of the reservoir. The project, which is mainly financed by the World Bank and São Paulo's state government, aims to tackle the problem by installing proper sewers and building roads to allow better rubbish collection.

But the project also shows how difficult it will be to clean up the Tietê, into which waste water from the shanty towns eventually flows. Installing infrastructure like sewers in the favelas is difficult and expensive. Their houses cluster together without streets, and they are often perched on hillsides and marginal ground.

The government is neither willing, for social reasons, nor able, for financial reasons, to resettle inhabitants elsewhere. "To show how complex it is, we're having to 'urbanise' these areas by installing small roads for access and sewers. Everything has to be discussed with the inhabitants, too," says Ivan Carlos Maglio, the project's co-ordinator.

The $262m project plans to install more than 300km of sewers, as well as developing more than 1,000 acres of parks and leisure areas. A planned rubbish collection system will daily collect 190 tonnes of waste which is currently washed into the reservoir.

"Pollution should stop once the project is finished. But it needs education as well to stop people throwing everything in the sewer system, which is a serious problem," says Maglio.

Chernobyl's fate on the table

Jill Barshay on a dilemma for G7 nations as they meet this week

The road to Chernobyl is strikingly green. Even the abandoned ghost town, where the power station's employees used to live just 13km from the reactors, is surrounded with densely packed evergreen and birch trees. Only the monstrous cement and steel sarcophagus, covering the remnants of the exploded fourth reactor, reminds the visitor that a terrible disaster happened here eight years ago.

Radiation levels have fallen considerably around most areas at the station to about the level of Kiev. Though safety precautions are still observed inside the reactors, outside workers and engineers no longer button up their outer body suits and often skip radiation checks at in spite of random patches of high contamination.

The fate of Chernobyl will be a main topic at a meeting of the seven industrialised nations in Italy this week. Both the European Union and the US have been seeking to shut the station's two operating reactors since the Ukrainian parliament voted last October to keep them open.

While western pressure is heightening, Ukraine is building its production capacity at Chernobyl. Contract labourers from western Ukraine are working around the clock to dismantle the old generator in a third reactor, which has been shut since a 1991 fire, and are preparing to put it on line again by 1997.

Government ministers now freely admit that a secret presidential decree was issued last February to restart this reactor. Under domestic political pressure, the State Committee for Nuclear Safety gave a preliminary green light last Wednesday for the work to continue.

Officials have argued persuasively that the electricity produced at Chernobyl, where each reactor saves Ukraine 2m tonnes of Russian oil a year, is vital for their nation's survival. They point out the reactors are no less safe than the other 13 antiquated graphite core reactors of this type that are scattered throughout Russia and Lithuania, but for which the west is not pressing immediate closure. "Chernobyl is being isolated because of its symbolism and world opinion rather than its reality," says Viktor Baryakhtar, vice president of the Ukrainian Academy of Sciences.

Beyond the future of Ukraine's graphite core reactors, Ukraine is eager for western assistance in a greenfield clean-up of the Chernobyl zone. A new sarcophagus is needed to cover the existing one over the destroyed fourth reactor. Some 1,000 sq m of cracks originated with the hasty installation of the shell following the 1986 disaster. More than half have been sealed with fibreglass glue, but at least 400 sq m of cracks remain, admitting sun and rain to 10 tonnes of highly radioactive dust.

Nuclear waste burial sites, filled with contaminated reactor parts from the explosion, also present an environmental hazard. These underground dumps have not been lined with clay, allowing the risk that radiation could seep into the water supply, although the water table is low in this area.

Ukraine is willing to close the Chernobyl reactors if the west would offer a "comprehensive solution", which includes new reactors to build Ukraine's domestic energy production and a full clean-up from the 1986 explosion. The issue is how much and how broad this compensation package will be. So far the EU has offered only Ecu500m (£385m) of what it estimates will be a total Ecu1.35bn G7 package to close the reactors.

"Ukraine has not formulated its position yet. We're waiting for the G7 to make an offer and we'll start our serious negotiation from there and say what Ukraine can do for this amount of money," explains Yuri Kostenko, environment minister. Part of western frustration is that Chernobyl is not seen as a danger by Ukrainian officials, but as a bargaining chip. There is the fear that Kiev will continually up the ante and stall as it did during the negotiations over getting rid of its nuclear arms.

PEOPLE

Frances Heaton joins Harrisons & Crosfield

If Harrisons & Crosfield, the industrial conglomerate which is recovering from several difficult years, was ever to face an unwelcome takeover bid it would not be short of merchant banking advice.

Frances Heaton, 49, the former director general of The Takeover Panel, has just been appointed a non-executive director. She joins a board which already includes Sir Richard Lloyd, deputy chairman of Hill Samuel Bank, and Martin Anderson, the new finance director who joined from Hill Samuel a couple of months ago.

Heaton, an executive director of Lazard Brothers, trained as a barrister, and joined Lazards in 1980 after a stint at the Treasury. She is also a non-executive director of The Bank of England, Commercial Union and W.S. Atkins.

She is the first non-executive director to be appointed to the board since George Paul, the former chief executive, took over as chairman at the end of May. Paul has been making a number of changes to his board and several directors are departing over the next year as part of a move to do away with the group's old divisional management structure.

Tom Preston, 61, who has worked for the group for over 30 years, retires from the board shortly following his appointment as chairman of the recently floated Australian companies. Peter Savage, 50, head of the chemical and industrial division, is leaving at the end of the month having completed the rationalisation of the chemical businesses. Peter Simmonds, 54, head of the food and agricultural division, is taking early retirement next May and Jim Miller, 57, also retires next year after a new managing director of Harcros Timber & Building Supplies has been appointed.

Under the reorganisation, the managing directors of the operating companies will report directly to Bill Turcan, 51, who replaced Paul as chief executive.

Coutts quits APV over personality clash

APV, the big producer of food and drink manufacturing equipment, is looking for a new executive director following the surprise resignation of Neill Coutts with immediate effect.

Coutts joined APV in 1991, and had responsibility for APV Crepaco, the US process engineering company for the dairy and beverage industries, and for the components business.

His departure is put down to a personality clash with Clive Strowger, APV's chief executive. "There is nothing sinister about this," said Neil French, APV's finance director, yesterday. "It was just a question of two people finding it difficult to get on." There were no disagreements over policy.

Strowger will take on Coutts' responsibilities temporarily, which will give him an opportunity to evaluate whether Coutts' successor should be an internal or external appointment, said French.

In March, APV announced that 1993 pre-tax profits fell to £13.4m, from £20.2m a year earlier, but struck a positive note on orders and future prospects.

Hubbard leaves Murray in charge of Andrews Sykes

Jacques Murray has completed his boardroom takeover at Andrews Sykes by succeeding David Hubbard as chairman of the specialist industrial services group.

Murray, who is also chairman of Nu-Swift, and four of his supporters won control of the Sykes board at an extraordinary general meeting in May. He holds a 29.67 per cent stake in the group and had waged an 18-month battle for control of the board.

Although Hubbard originally opposed Murray's attempts to win control of the Sykes board, the changeover was completed amicably.

Commenting on his decision to resign, Hubbard said: "With the change in control of the board and the appointment of a new chief executive voted by the shareholders in May, transition to the new management is now complete."

Snee moves to J.P. Morgan

Less than a week after S.G. Warburg's Nick Snee, 29, was named the top-rated European Motor industry analyst, he has been poached by a rival US investment bank.

Snee, who has worked at Warburg since 1987, is joining J.P. Morgan Securities, the London stockbroking arm of the New York commercial bank. Snee, who will be a vice president, has been hired to initiate J.P. Morgan's coverage of the European car industry, one of the biggest pan-European stock market sectors.

J.P. Morgan Securities is a relative latecomer to European stockbroking and the firm did not figure in the recent Extel rankings. S.G. Warburg remains the market leader but several US brokers such as Goldman Sachs, Morgan Stanley, Lehman Brothers and Merrill Lynch have been increasing their market share.

Europe's motor industry lends itself to cross-border comparison and Merrill Lynch and Lehman already rank among the top five firms analysing the European sector.

■ David Smith, former head of group research and engineering at BP and a member of the Engineering and Physical Sciences Research Council, has been appointed director of research and development at WHATMAN.

■ Jeff Carr has been appointed marketing director of ROYAL DOULTON; he moves from Burger King.

■ Geoff Wilson has been appointed md of the Australian operation of Strachan & Henshaw, part of The WEIR GROUP.

Non-executive directors

■ Lord Camoys, deputy chairman of BZW Holdings and a former director of Barclays Bank, at PERPETUAL.

■ The Hon Peregrine Moncreiffe has resigned from EXETER PREFERRED CAPITAL INVESTMENT TRUST.

■ Mike Allardice at GOVETT AMERICAN ENDEAVOUR FUND.

■ Wilfrid Caldwell, a former partner at Price Waterhouse, at POWERSCREEN INTERNATIONAL.

■ Edwin Marks has retired from SMITH NEW COURT.

■ Sir Anthony Bamford has retired from TARMAC.

■ Otis Pollard has resigned from JOHN I JACOBS.

■ Andrew West, joint md of corporate finance at GUINESS MAHON, at CROSSROADS OIL GROUP; Stanford Bardsley and M Soenderup have resigned.

■ Alan Barwick, underwriter to the Solicitors' Indemnity Fund, and Don Carey, chairman of Murray Lawrence Members Agency, at MARKETFORM.

■ Theo Laub has resigned from PSION.

■ John Webster at USDC INVESTMENT TRUST.

■ Field Walton, chairman of Henry Cooke Group, at MARTIN INTERNATIONAL HOLDINGS; Clive Spalding has resigned.

■ Sir Nicholas Henderson has resigned from FOREIGN & COLONIAL GERMAN INVESTMENT TRUST.

■ David Backhouse, former chairman of Henderson Administration, at CLAYHITHE.

■ Robert Beamish, chairman and ceo of the Woodridge Group of Companies, at STANDARD LIFE.

■ Sir Frank Cooper has retired from The MORGAN CRUCIBLE COMPANY.

■ Nicholas Ward, former group md at Brent Walker, at W.W. GROUP.

■ Christopher Gibbons, a senior partner of Stephenson Harwood, at LIBERTY MUTUAL INSURANCE COMPANY (UK).

■ Michael Arnold, former senior partner at Arthur Young, at LUMINAR LEISURE.

■ David Barnes is retiring from THORN EMI.

■ Chryss O'Reilly, a director of the Wedgwood Museum Trust, at WATERFORD WEDGWOOD UK.

ARTS

Television/Christopher Dunkley

The changing shape of history

For anybody still wondering if we really live in "the age of television", the past week must surely have settled things. It is not so much the material which television creates itself which matters – although the repeat of *Monty Python's Flying Circus* on BBC2 on Sundays does emphasise the extent to which television has been defining the zeitgeist for several decades. More significant are the events which measure out our lives and which we now tend to experience via television; matters in which television does not create the programme material but seems at first sight to be acting simply as a medium of communication. The American space programme, the activities of the royal family, and sporting events such as Wimbledon and grand prix motor racing are examples. Such things may be affected very much by being conveyed via television; in some instances they may be changed, sometimes profoundly. In extreme cases they may cease to have any real significance *except* as television.

When rain stopped play at Old Trafford on Monday, BBC2 showed a tape of a 1973 Test between England and New Zealand, and you suddenly remembered what cricket used to be like. Not only were the players not wearing the kiddy-kit which is now required for so many televised matches, they did not have a single line of writing on their white shirts, wore English caps, and there was no advertising painted on the pitch. Television has changed cricket.

Watching the Wimbledon finals, the French Grand Prix, and the Tour de France it was hard to avoid the feeling that all major sports are steadily becoming adjuncts to television. Wimbledon and the Tour feel increasingly like branches of the marketing business, and it seems unlikely that Sampras would have walked away with £345,000 but for television's involvement. Not long ago it was a novelty to have television pictures delivered from inside a racing car; in the French grand prix most of the cars seemed to be fitted with cameras. For BBC1's new series *The Contenders* starting on Friday they have fitted miniature cameras to the forehead of hurdler Colin Jackson and the back of high-board diver Bobby Morgan. How long before Olympic athletes are fitted with cameras? How long before the Olympics are seen solely as a television event?

Throughout most of history monarchs have been known to their subjects via their portraits on coins. What little our parents knew about the royal family came from cinema newsreels and newspapers. Today thanks to television the British royal family is as familiar as soap opera stars. True, it seems that last week's studiously hyped ITV documentary about Prince Charles achieved a rating rather lower than that for *Coronation Street* which preceded it. However, the reason, presumably, is that it lasted two and a half hours and included some

> *'One Small Step' did a good job in recalling not only what happened, but how it felt at the time*

dreadfully boring passages.

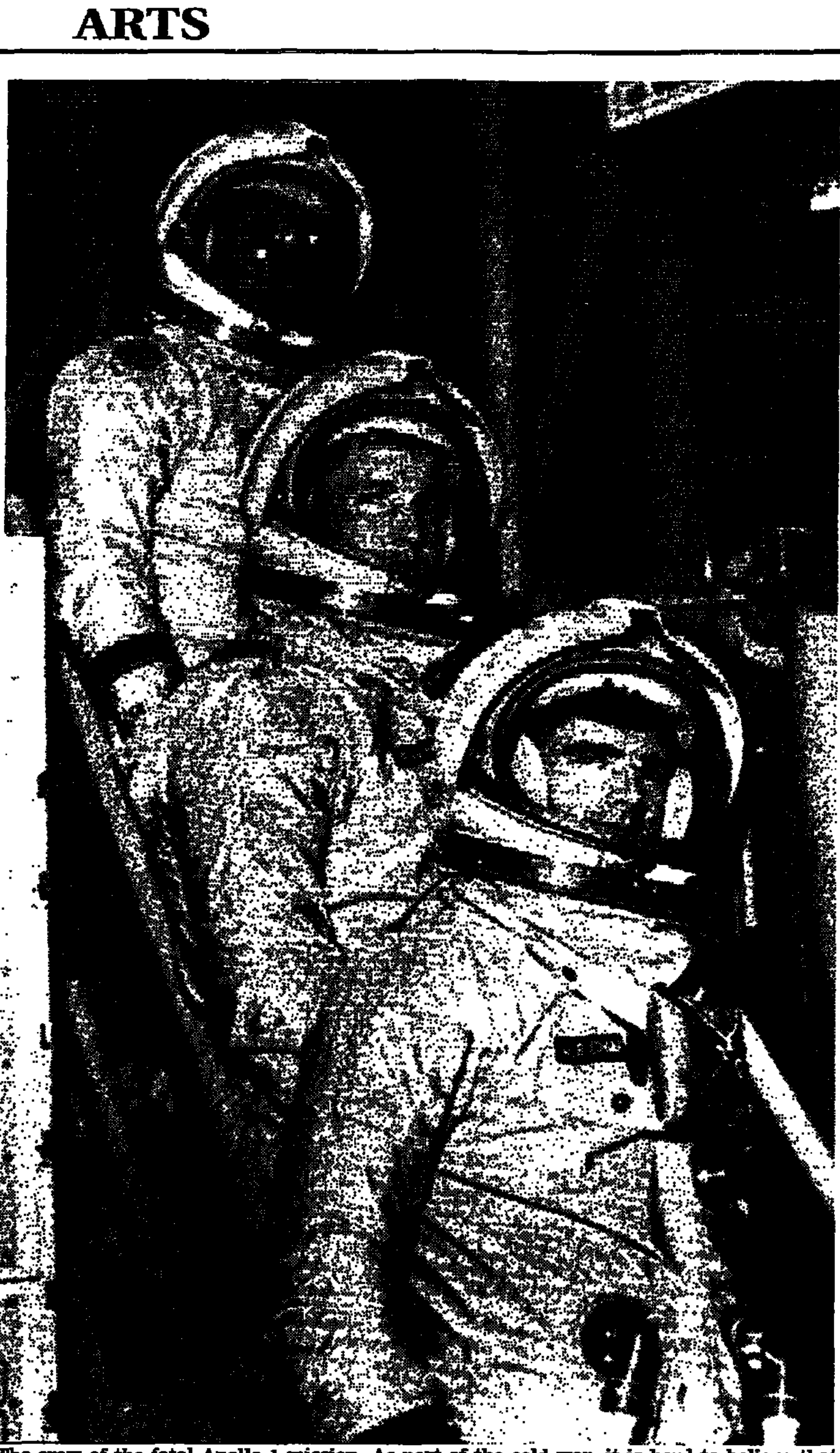
Vigorous editing could have transformed a wearisome 150 minute programme into a taut 50 minutes containing all the important bits. Perhaps it was only by including the tedious details about foreign visits and duties that the programme makers managed to get the access they wanted, but the result will have been that even if the transmission began with 25 million or so viewers, many will have given up. The royal family may live to regret the way they have embraced television, but there is no mistaking the fact that they have. It could even be argued that, like the Olympics, the royal family is ceasing to have much significance except as a television phenomenon.

The best example, however, of the way that we may now experience some of the most important parts of our lives via television has come from BBC2's series on the American space programme, *One Small Step*. At the time of the Apollo missions, like many others I was enthralled and inspired. When the first astronauts were on the dark side of the moon and no one knew for sure that we would ever see them again, I stayed up all night in front of my first television set and went bleary eyed to the office next day to discuss every arcane detail with other newspapermen who had done the same.

Our knowledge came solely from television. Of course the trappings helped: the music from "Also sprach Zarathustra", the portentous build-up from Mission Control ("Zero minus three minutes and counting . . . all engines running . . . we have a lift off" and then that volcanic roar from the biggest engines ever built). But beyond the trappings was a feeling that something immense was happening; that what we were watching was on a par with the setting sail of the 15th century navigators.

One Small Step did a good job in recalling not only what happened, but how it felt at the time (particularly impressive given that the BBC has, by all accounts, destroyed the material showing James Burke, Patrick Moore and the others at the British end, enthusing over the space missions). Most telling of all, though, is the way in which history and hindsight show that the American space effort was organised as part of the cold war. Vox pops preserved from the streets at the time prove that Americans had swallowed the propaganda of the McCarthy era and were appalled and terrified at the thought of the Russians ("They can't even make refrigerators!") leading with Sputnik, the first animal in space, the first man in space, the first woman in space, the first team in space, the first space walk, and so on.

I still suspect that our descendants will see man's escape from terrestrial gravity as one of the great milestones in human history. Yet there is no denying that, seen from a distance of a mere 25 years, the American space effort now looks like a finite television event. It is hard to believe that the moon programme would ever have been undertaken as a part of the cold war (itself a meaningless concept outside the age of mass communications) except in the television era. The presence of this new mass medium does help shape our very Yes, we are living in the age of television.



The crew of the fatal Apollo 1 mission. As part of the cold war, it is hard to believe that the US moon programme would ever have been undertaken except in the age of television

Music

Judith Weir at the Cheltenham Festival

In the current funding climate the Cheltenham International Festival of Music deserves a party just for surviving to have a 50th birthday. Ticket sales this year are looking good enough to suggest confidence in the future – a tribute to John Manduell, who retires as Programme Director this year after no less than 25 years in the job.

A festival which has spent half its life under the leadership of one man is likely to have a distinct profile, as Cheltenham indeed does. Together with Aldeburgh, it is one of the two UK summer music festivals with an emphasis on living composers. Perhaps the spa town gentility of Cheltenham has always tended to favour the kind of new music that is unlikely to offend, but that matters less these days than it used to.

In the 1960s music had to be difficult to be accorded serious study. Now the user-friendly composer has become fashionable. Alongside minimalists like Glass and Adams, Cheltenham's favoured composers have started to sound quite gritty. Michael Berkeley and Judith Weir (both have had operas premiered at the festival in recent years) are most in evidence, Berkeley because he is due to take over as Manduell's successor next year.

In the case of Judith Weir, the festival offers the opportunity to catch up on a couple of orchestral scores commissioned and first performed by foreign orchestras. *Music, Untangled* forms part of the closing concert on July 17; *Heroic Strokes of the Bow*, which started life in 1992 with the chamber-sized Westdeutsche Sinfonia, was included in the BBC Symphony Orchestra's programme last weekend.

Like everything by Judith Weir, the piece says what it wants to say and no more. It lasts about 15 minutes, starting with massed violin bow strokes to reflect the title and proceeding to further distinct groups of ideas, which do not so much develop as occasionally collide with each other.

The work was inspired by a blue painting by Klee, but Weir says she feels that it has turned out more a shade of grainy dark green. I cannot claim to have heard either of these colours in the music. What is present is a desire to make every scrap of material tell in the way that Stravinsky use to, for example in the *Symphony in Three Movements*.

Weir's score loses its sense of direction in the middle, but revives towards the end with statements that build up a feeling of cumulative power, of having set a goal and achieved it.

For this performance she had the right performers, but the wrong venue. Andrew Davis and the BBC Symphony Orchestra had prepared the music diligently to give it the exactness that it needs, but the resonant acoustic of Cheltenham Town Hall did its best to undo their good work.

Similarly, there seemed to be a lot of detail carefully rehearsed in Holst's *The Planets* after the interval, if only we could have heard more of it.

The festival continues with opera and ballet, more concerts, and a complete cycle of the Beethoven String Quartets.

Richard Fairman

Alastair Muir

Claire MacCaulay, Juliette Grassby and Richard Stemp

Theatre/Martin Hoyle

Fanny Burney's 'Busy Day'

For all her importance as a text-book figure in the history of the English novel, Fanny Burney is less often quoted than her father, Charles, who sheds an invaluable light on musical Europe in the 18th century. Yet if Fanny Burney the author is neglected, Fanny Burney the person exercises an increasing fascination. One-woman shows are not infrequent, and are a reminder of her courage, cheerfulness and independence. The RSC's royal anthology, *The Hollow Crown*, immortalised her near-surreal encounters with dotty George III and lugubrious Queen Charlotte. Journalistic vividness, perceptiveness and sympathy allied to high spirits and good sense explain why Jane Austen admired her.

That much comes over in *A Busy Day*, one of Burney's unpublished plays, now at the King's Head Theatre, Islington, after its premiere from the Bristol-based Show of Strength Theatre Company last September. It would be good to see a really polished production, by the RSC, say, that imposed discipline on this panorama of late Georgian heiresses, fortune-seekers, snobs, beaux and arrivistes. This version is rustic but hearty, the overall effect resembling a jolly school play – the main impression being so homespun that the professional credentials in the cast's potted biographies come as a surprise.

"Adapted, produced and directed" by Alan Coveney, the play reveals elements old and new. An emphasis on fortune (mortgages, dowries, inheritances) looks forward oddly to Bulwer Lytton's *Money*, which also has a clubland scene and a tendency to foppish caricature (Lytton's fatuous Frederick Blount is surely a descendant of Burney's languidly inert Lord John). The grotesquely snobbish Lady Wilhelmina is the comic dragon with aspirations and pretension, an aristocratic version of Mrs Hardcastle or Mrs Malaprop. Our heroine Eliza has an embarrassing family she has grown away from, like Fanny Price in *Mansfield Park*; and the Austen link is strengthened by the supremely selfish Sir Marmaduke, a comic distortion of Sir Walter Elliott in *Persuasion*.

Not that the work exists only as a thesis-writer's goldmine of cultural references. As the distended romp of this production shows, it has comic vitality, notably in such characters as Eliza's bedizened, nouveau-riche mother and sister, or the man-mad Miss Percival, whom Juliette Grassby has honking in mock-panic at imagined amatory pursuers. The hero's foppish brother is more conventional (though Ian Kelly's comic gifts come into their own), but, in this slightly unbalanced and still too long adaptation, manages to take over the plot with Miss Percival, now a spiteful avenger.

The plot rambles, and I suspect such astonishingly Wildean remarks as "One has no chance with any girl until her family are all against one" owe more to the adaptor than Miss Burney. What emerges is Burney's tolerance; it just saves her from being snobbish about lower-class ambitions or reactionary in her championship of middle-class values, just as her sense of humour redeems her from the charge of Thatcherism in her accolade of the City and its socio-economic virtues. The cast enjoy themselves and may soon learn how to pronounce "harass" and "exquisitely" in the traditional English way rather than the American.

Fanny Burney's other plays may well deserve a look.

INTERNATIONAL

ARTS GUIDE

FESTIVALS GUIDE

■ AIX-EN-PROVENCE

Hard times have reached France's premier summer music festival (July 15-30). From three operas Aix has had to reduce to one: Mozart's Die Zauberflöte in a new production by its winning team of recent years, the conductor William Christie and producer Robert Carsen. The concert programme will probably not be enough to tempt regulars back to this delightful town, though the food and general air of good living might. Margaret Price is soloist in Berlioz's Les Nuits d'Eté on July 18, José van Dam sings Mozart arias on July 21 and Felicity Lott gives a recital on July 28 (4217 3434)

■ AVIGNON

Japan is a principal theme of this year's festival, which opens on Friday and runs till August 2. There will be two Noh theatre productions, plus two shows devised by Kazuo Ohno and his son Yoshito. Susan Buirge will choreograph two new works for the Ma To Ma dance company. The dance programme also features the Bill T. Jones/Arnie Zane company, plus the Paris Opera Ballet (July 29-August 2) in choreographies by three Americans – Paul Taylor, Jerome Robbins and William Forsythe. A strong theatre line-up includes Euripides' Andromache directed by Jacques Lassalle (July 8-16), Shakespeare's Henry VI directed by Stuart Seide (July 20-25), the French premiere of Tony Kushner's Angels in America and three short plays by Edward Bond (9086 2443)

■ BAD KISSINGEN

The attraction of this festival, known as Kissinger Sommer, is its north Bavarian setting and the relaxed atmosphere of a former royal spa. The Regentenbau incorporates four elegant concert halls, and there is also a fine-de-siècle theatre. Highlights include a song recital by Edita Gruberova on Fri, a Strauss and Mozart concert with soprano soloist Anna Tomowa-Sintow on Sat, and Penderecki's new clarinet concerto next Wed. The festival ends on July 17 (0971-807110)

■ BAYREUTH

This year's festival opens July 25 with a revival of Wolfgang Wagner's 1989 production of Parsifal, conducted by Giuseppe Sinopoli. But the main focus of attention is the new Ring, staged by Alfred Kircher, designed by Rosalie and conducted by James Levine. The cast is headed by John Tomlinson, Deborah Polaski, Wolfgang Schmidt, Tina Kiberg, Poul Elming, Ekkehard Wlaschiha and Eric Halfvarson. Last year's production of Tristan und Isolde, conducted by Daniel Barenboim and staged by Heiner Müller, is revived with the same two singers in the name-parts – Siegfried Jerusalem and Waltraud Meier. The other revival is Dieter Dorn's 1990 production of Der fliegende Holländer, conducted by Peter Schneider, with Bernd Weikl and Sabine Hass. The only way to get hold of tickets now is on the black market (0921-20221)

■ BREGENZ

The opera festival at the Austrian corner of Lake Constance has won an enviable reputation for artistic boldness, while preserving its appeal for tourist audiences. This year's festival runs from July 20 to August 26. David Pountney's spectacular 1993 production of Nabucco is revived on the lakeside floating stage – counterbalanced at the nearby indoor theatre by a rare staging of Zandonai's Francesca da Rimini (05574-4920 224)

■ KREUTH

The lakeside setting of Kreuth, a former court spa at the foot of the Bavarian Alps, makes Musikfest am Tegernsee one of Europe's most intimate festivals. It was founded by the late Russian violinist Oleg Kagan and his cellist wife Natalia Gutman, and is notable for attracting high-powered Russian virtuosi. This year's programme includes a duo piano recital by Martha Argerich and Alexander Rabinovich on Sat, a chamber music evening with soprano soloist Edith Wiens next Mon, and a concert by the Munich Chamber Orchestra on July 16. The Hilliard Ensemble give the closing concert on the morning of July 17 (08029-1819)

■ MONTPELLIER

Apart from its setting in southern France, the attraction of Radio France's annual festival is its selection of rare operas. This year sees concert performances of Saint-Saens' Etienne Marcel (July 11) and Montemezzi's L'amore dei tre re (August 4), plus the first-ever staging of Cimarosa's L'Armida immaginaria (July 26). The festival opens on July 10 with a concert by the Orchestra of La Scala Milan conducted by Wolfgang Sawallisch. Other visiting orchestras include the Orchestre National de France conducted by Charles Dutoit (July 15), the St Petersburg Philharmonic conducted by Yuri Temirkanov (July 18), the Orchestre National de Lyon with soprano Hildegard Behrens (July 25) and the Orchestre de Paris with piano soloist Nelson Freire (6702 0201)

■ MONTREUX

This year's Montreux Jazz Festival has a mind-boggling line-up. Van Morrison can be heard on Sat and Bob Dylan next Tues, followed by the entire Verve Label roster on the same stage next Wed and Thurs. Other attractions include Wynton Marsalis, Ginger Baker and Jack Bruce. Purists will be astonished to see names such as Johnny Cash on the same programme as abstractionist Albert Mangelsdorf. The festival, which ends on July 16, takes place at the Auditorium Stravinski and the new Miles Davis Hall (021-313 4567)

■ RHEINSBERG

The chamber opera festival founded by German composer Siegfried Matthus in the idyllic surroundings of Rheinsberg Castle, 90km north of Berlin, is now in its fourth year. The formula is simple: bring together an international group of promising young singers for a month of rehearsals and workshops with experienced performers, against a backdrop of castle, lake and park; then show the results in two opera productions. This year's programme consists of Carl Heinrich Graun's Montezuma, staged by John Dew (July 29, 30, August 2, 3, 5, 6), and a double-bill pairing Schoeck's Vom Fischer un syner Fru with Ibert's Angelique (August 12, 13, 17, 18, 19 and 20). Tickets can be bought at Rheinsberg or from Theatershop Ticket System in Berlin (030-463 1046)

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in north Germany, in venues with a more local atmosphere than most international festivals. This year's programme places a special emphasis on Jewish music. There are visits from the Israel Philharmonic and Jerusalem Symphony orchestras, plus young musicians from Israel. Jewish composers are well represented – including Mendelssohn, Mahler and those banned during the Nazi era, such as Ullmann, Haas and Klein. There is also a retrospective of Beethoven. Among the highlights during the coming week are a concert by the festival orchestra in Neumünster on Fri conducted by Mstislav Rostropovich, an open-air concert by José Carreras in Stade also on Fri, a piano recital by Elena Bashkirova next Mon in Lüneburg and a song recital by Brigitte Fassbender on Tues in Wotersen. The festival runs till August 21 (0431-567080)

■ VERBIER

Verbier, a popular resort in the western Swiss Alps, is holding its first summer music festival, linked to a series of courses and masterclasses for talented young musicians. The festival opens next Tues with a concert by the resident orchestra, the Young Israel Philharmonic, conducted by Zubin Mehta. Verbier has managed to attract some of the busiest international soloists, including Gil Shaham (July 13), Maxim Vengerov (July 14), Yevgeny Kissin (July 15), Ute Lemper (July 17), Barbara Hendricks (July 24 and 29), Mischa Maisky (July 27), Augustin Dumay and Maria Joao Pires (July 28) and Nikolai Demidenko (July 30). Michel Tabachnik conducts Beethoven's Ninth Symphony at the final concert on July 31 (021-963 8222)

ARTS GUIDE

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Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
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NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

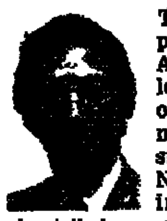
FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Ian Davidson

Living with the bomb

North Korea's actions have highlighted flaws in the nuclear treaty



The biggest problem facing American diplomats, ahead of Friday's negotiating session with the North Koreans in Geneva about their secret nuclear programme, is to guess the ultimate objectives of the Stalinist regime in Pyongyang.

Optimists like former US President Jimmy Carter, who made a lightning freelance trip to Pyongyang last month, hope Kim Il Sung may be ready to trade his nuclear ambitions against international recognition and economic aid. But pessimists fear that he is committed to the nuclear weapons programme. Carter may know something we don't; but the circumstantial evidence, from all the ducking and weaving over many years, tends to support the pessimists.

North Korea was always a reluctant member of the Nuclear Non-Proliferation Treaty. It signed the treaty under pressure from the Soviet Union in 1985, but it did not ratify the accompanying inspection arrangements with the International Atomic Energy Agency until 1992, five years after the NPT deadline.

Not long after ratification, North Korea informed the IAEA that it had seven nuclear installations; the agency had only previously been aware of two. But when the IAEA demanded to inspect two hitherto secret sites at Yongbyon, North Korea announced it would leave the treaty. Under pressure from the US and others, North Korea backed off; but last month, after further hindrances over inspection, it announced that it would leave the IAEA.

Because of Pyongyang's obstructiveness, we still do not know what has been going on at the secret nuclear sites. But the Nuclear Non-Proliferation Treaty cannot remain unscathed by the North Korean experience; the question is whether it is fatally damaged.

Current speculation is that North Korea may be diverting fuel rods from nuclear reactors to acquire and reprocess plutonium, which could be used for nuclear weapons. But American intelligence believes North Korea already has one or two nuclear weapons, which it had constructed before 1992; maybe that is why it delayed so long in submitting its pretend compliance with the NPT.

Here we have a classic stable-door dilemma. If North Korea does have a couple of nuclear weapons, there is no point in the Americans raising the issue, because the North Koreans will deny it; they will certainly not leave them out in the open to be inspected. Therefore, the Americans are almost bound to turn a blind eye to this more fundamental problem: What they are left with instead is a deadpan debate over the controversial fuel rods.

There is only one certainty in arms verification: that you cannot have certainty

The trouble is that this is a negotiation. The Americans want North Korea to conform absolutely to the NPT and reaffirm its formal status as a non-nuclear state. Since no negotiation ever leads to 100 per cent success for one side, this result is impossible. So if there is a negotiated settlement, it must involve a significant weakening of the rules of the NPT.

Many people look for a scapegoat; and the first scapegoat they spot is the IAEA. "Aha!" they say; "if the IAEA inspection systems had been more rigorous, we would have known about the North Koreans long ago, and about the wicked Iraqis before them."

Well, they may have a point; but it is, in any political reality you or I would recognise, only a small point; for the issues at stake are much more complex than that.

In the world of arms control, verification is a subject on which there is only one certainty: you cannot have certainty. It may be possible to imagine an international inspection regime so thorough and so intrusive that no state would have a secret it could call its own. In theory this would guarantee complete compliance with any arms control treaty; but the treaty would not be signed, let alone ratified, by a single one of the 160 sovereign states in the UN.

The best you can hope for is some degree of probability: the arms control experts will argue till dawn over how much is enough. But the starting point is that an arms control treaty should seem, to all the sovereign signatories, to be self-justifying in itself: on balance, joining should seem a better bargain than not joining. For then verification can play the modest role of circumstantial indicator of willing compliance, not pretend to be an alternative to it.

There are two reasons why these principles are not working out in the case of the NPT. The first is that this treaty is deeply discriminatory between the signatories. Its very purpose is to discriminate against non-nuclear-weapon states; and, as a result, its inspection regime also discriminates against them. Moreover, the NPT mainly discriminates against less developed states, because some of them are still tempted by the nuclear option.

The NPT's second weakness is that it is a child of the cold war, the product of the arms control which grew out of the nuclear confrontation between the two superpowers. North Korea and Iraq signed, only because they were put under pressure by the Soviet Union; and today no other country can exert that pressure on them.

Last November, US President Bill Clinton said: "North Korea cannot be allowed to develop a nuclear bomb." But the administration subsequently backed off from that absolute position, no doubt because it was not sure how it could be enforced. Henry Kissinger, former secretary of state, seems to believe that the US should be prepared to go to war to enforce it; but this seems unlikely.

We may have to live with the possibility, or perhaps the probability, that North Korea, like Israel (client of the US), is an undeclared nuclear power; because we can't do anything reasonable about it.

Deborah Hargreaves says pulp price rises come at a difficult time for the industry

Cracks merely papered over

Writing a letter is about to become a more expensive pastime; so too might reading glossy magazines or books.

The cost of paper is rising steeply. In Britain, prices have risen so rapidly that printers and publishers complained earlier this year to the Office of Fair Trading that paper makers were operating a cartel.

But for the paper companies, the response has generally been "if only that were true". They argue they are only passing on the sharp increases in the cost of their raw material – wood pulp.

After five years of falling prices, pulp manufacturers had by this year cut back output. An unexpected pick-up in demand has therefore led to price rises of up to 50 per cent since January.

To a large extent, the pulp market is following the pattern of other commodities, such as coffee and copper, which have risen in price as the world's economies have emerged from recession. North American producers recently announced their fourth rise in pulp prices this year, due to take effect later this month or in August. By that time, the price of northern bleached softwood kraft pulp – used as the benchmark in the industry – will have risen from $390 a tonne last year to $620 (£406).

Paper producers are passing on these increases to their customers – printers and publishers – with varying success. They have been most successful in the market for high-quality paper. Prices for the highest grades of paper have been marked up by 20 per cent since the beginning of the year.

In the newsprint market, many paper manufacturers have stopped discounting prices they charge newspaper publishers. "The moment we have the opportunity, prices will inevitably go up," says Mr Andre Van Hattum, chairman of Bridgewater Paper, one of the UK's largest newsprint manufacturers.

But media moguls such as Mr Conrad Black, publisher of The Daily Telegraph, who is engaged in a price-cutting war with other newspapers, will be anxious to resist further increases when annual supply contracts are renegotiated towards the end of the year. That raises the question of which sector will suffer the biggest squeeze on profits – pulp producers, paper manufacturers or printing?

If paper mills and pulp producers are unable to pass on the rising cost of raw materials, their already low margins will fall further. Many have been operating at a loss for the past three to five years.

Mr Ronald Oberlander, president and chief executive officer of Toronto-based Abitibi-Price, the world's biggest newsprint producer, says his company has not made a profit for four years, and during that time has lost C$460m (£218m). He estimates his return on capital employed has averaged less than 3 per cent over the past 10 years – a figure regarded as typical in the industry.

But there are signs the tide may be turning, and Mr Oberlander says he is confident that the industry is heading for a period of improved financial performance.

His optimism is based on the assumption that manufacturers will be able to continue pushing up prices. Certainly paper makers are able to argue increases are justified: in the past five years, during the worst recession the industry has suffered, prices fell sharply and have not yet returned to previous peak levels. Newsprint prices, for instance, dropped last year to their lowest point in real terms since records began in 1924 and so far have returned only to 1990 levels.

Nevertheless, paper manufacturers are still being squeezed, as the prices they charge paper users are not yet rising as fast as their raw material costs. Pulp prices are being driven upwards by supply shortages caused by three main factors:

- The steep fall in prices pulp manufacturers were willing to pay over the past few years has meant many lumber farmers in Nordic countries, which account for about 17 per cent of the world pulp market, decided not to harvest their trees last year.
- The collapse of the former Soviet Union – one of the largest producers of high-quality birch pulp – has disrupted supplies to the large pulp manufacturers in Finland, Norway and Sweden.
- Many pulp makers in countries around the world have shut down operations, temporarily or permanently, as prices declined to below their costs of production.

In large part, the crisis in the industry has been exacerbated by the pulp producers themselves, which had previously built up capacity to such an extent they were forced into cut-throat competition to hold on to markets. Mr Robert van Oordt, chairman of KNP BT, the Dutch paper and packaging group, describes the overcapacity as a "home-made mess".

That overcapacity has now been reversed, thanks to a rise in paper consumption. Mr Roger Digney, marketing director at UK Paper, Britain's biggest supplier of high-quality printing papers, says: "The huge growth in orders has been quite uncanny and it seemed to hit the whole of western Europe simultaneously."

Paper and pulp manufacturers appear to have been caught out by the strength of world economic recovery and the growth of the paper market. At the same time, strong growth in Asian paper markets has boosted Japanese paper mills, which in turn have bought more European pulp.

The industry also appeared to have assumed the problems of excess supply would remain for some years. When the pulp industry was dogged by overcapacity, paper mills and printers became used to ordering raw materials for instant delivery. As a consequence, they ran down their stocks.

Now paper mills are finding it hard to offer quick deliveries. "We're finding it extremely difficult to buy the amount of pulp we need to keep our machines going," says Mr Digney. In spite of the recent rise in prices, he says some smaller paper mills have shut through lack of supplies.

There has been a knock-on effect on pulp makers, which are eating into their own inventories of timber as they rush to meet world demand. It is estimated the world stock of pulp will last 22 days at current consumption rates – down from 35 days' supply last year.

Mr John Bingham, at the London office of consultancy Hawkins Wright, which advises the forest products industry, says most pulp makers have full order books for the next three months. The capacity utilisation rate – the proportion of the industry's production facilities in use – among the industry's largest and most efficient producers has risen to 92 per cent from about 80 per cent last year.

Another factor is adding uncertainty to an already overheated market. There is the threat of a strike by British Columbian pulp mill workers, who recently rejected management attempts to introduce mill-by-mill wage bargaining. The possibility of disrupted pulp supplies from one of the largest markets has encouraged the build-up of supplies.

The danger the pulp and paper manufacturers now face is that the cycle of chronic overcapacity followed by a rapid fall in prices will be repeated, if the supply of pulp now grows too rapidly. "Pulp makers can't expect to keep pumping it out at this rate indefinitely," says Mr Bingham.

Mr Oberlander argues pulp and paper manufacturers are their own worst enemies. "If history has judged this industry harshly, it's because of our inability to manage the periods of prosperity and our inability during these periods to spend money wisely," he says.

Unless manufacturers are able to predict with greater accuracy the future patterns of demand, they may find that users of their products – the printers and publishers – will retain the upper hand in price negotiations.

Mr Oberlander calls for a more co-operative approach among pulp and paper producers to deal with issues that go beyond short-term competitive pressures. They need to address such long-term subjects as the competition from multimedia and environmental issues, he says.

But as one paper producer comments: "In a business where the margins are virtually nil, what can you do but concentrate on immediate market prices?"

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Incentive comes with ownership

From Mr Malcolm Hurlston.

Sir, There is no need to look to America to see the advantages of employee ownership ("Benefit of employee ownership", June 25).

Research published last month by the Esop Centre showed that managers of more than four out of five non-quoted British companies with employee share ownership plans (Esops) felt their employees were better motivated and more productive because of the Esop. Furthermore, 58 per cent of managers of Esop companies said their profits had grown faster than their competitors, with the rest saying profits had grown at the same level.

The share prices of companies with Esops grew by an astonishing 43 per cent every year, on average. Those companies whose share prices have performed the best, however, are the ones which communicate with their employees and provide them with information. Conversely, those companies which have made no changes to management-employee communication since setting up an Esop have been ones with the worst performing share prices.

Statistics such as these persuaded the government to relax some of the restrictions on setting up statutory Esops in this year's Finance Act.

Malcolm Hurlston,
chairman,
The Esop Centre,
2 Ridgmount Street,
London WC1E 7AA

Gibraltar assured of insurance status

From Mr J J Bossano.

Sir, To complete the picture so comprehensively set out in your article on the single market in insurance ("Hard work to be free and single: A look at the opportunities and constraints of a single European market in insurance", July 1), your readers will wish to know that, within this context, Gibraltar is in fact deemed to be a separate member state.

This is reflected in the new UK regulations which amended the 1982 act so that it applies "as if Gibraltar were a separate member state". Insurance companies in Gibraltar fully comply with European Community law and are required to match UK standards. They are licensed by the Financial Services Commission which is ultimately accountable to the UK but on a day-to-day basis acts independently of the British and Gibraltar governments.

In terms of the single market, I believe Gibraltar has the ingredients to become the most competitive location.

Joe Bossano,
chief minister,
6 Convent Place,
Gibraltar

Pressure on paper prices

From Mr W J Bartlett.

Sir, I note, with interest, that according to the British Printing Industries Federation (Letters July 1) "today's price for printing ranges from 1990 levels to 5 per cent below that", and that "at the depth of the recession it was 6-10 per cent below the peak touched in mid-1990".

We appreciate the dilemma faced by printers in passing on costs and, if the pulp and paper manufacturers had been able to hold price reductions during the recession to 6-10 per cent, I can confidently say printers would not be facing the scale of paper price recovery they are today.

However, the fact is that manufacturers' prices for most bulk grades of printing and writing papers fell by between 30 and 40 per cent between 1989 and 1993 (during which period inflation rose by 22 per cent). This has led to massive losses by pulp and many paper manufacturers – for some, the largest they have ever incurred.

In facing the fact that it is essential for pulp and paper prices to recover and the industry to return to profitability, we should not lose sight of the long-term trend – over the past 20 years, a substantial fall in prices in real terms as the industry continues to invest in technology and techniques in a highly competitive market.

W J Bartlett,
director general,
Paper Federation of Great Britain,
Papermakers House,
Rivenhall Road,
Swindon SN5 7BD

Pensions white paper falls down on reforms

From Mr Mark Rittner.

Sir, Mr N G Preston's letter (July 2) is timely. The worst of the legacies of Robert Maxwell has not been his plundering of pension funds but the extent to which government thinking has been obsessed with regulation, security and the custody of pension funds to the exclusion of a wider consideration of the inadequacies of the present system. Both the Goode Commission and the recent white paper have confirmed and reinforced the cosy bureaucratic conspiracy between the public and private pensions establishments. Apart from a small, but important, proposal (on flexible vesting) the white paper fails totally to suggest any reforms or even to hint that they might be necessary.

The secretary of state is to be congratulated on obtaining legislative time in the next session of parliament for a comprehensive pensions bill. The white paper only goes half way to reform. The ideas put forward by Frank Field and Matthew Owen, the proposals set out by former economic secretary to the Treasury, John Maples (Personal View, November 12 1993), and the ideas offered by the late Philip Chapell and Lord Vinson on pension fund ownership are some of the informed and constructive ideas being put forward at the present time.

It would be tragic indeed if social security secretary, Peter Lilley, funked the opportunity for a radical rethink. What is needed perhaps is not just a white paper but, following the Goode report, an even better commission!

Mark Rittner,
head of life & pensions,
Rathbone Brothers,
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London SW1W 0EX

Support for CrossRail

From Mr M C F Smith.

Sir, I refer to articles by Charles Batchelor and Kevin Brown ("CrossRail plan doomed despite MPs' support", July 1; "Expiry of London's £110m ticket to nowhere", July 2), in which reference is made to a 13-point letter sent by Dr John Marek MP to his Labour Party colleagues.

In the letter, Dr Marek says if "the promoters rethink the proposals and have a go at integrating CrossRail with the rest of the transport network, the project should be given the go-ahead".

The CrossRail promoters welcome this support, because this is precisely the position. CrossRail is already planned to connect to 26 lines through 46 interchanges. In addition, the promoters have stated they will give binding undertakings to the committee to promote an additional provision that will provide for the construction of links to Heathrow Express and the proposed Channel Tunnel Rail Link.

Finally, it is significant that nowhere within Dr Marek's 13 points or the full letter does he say that CrossRail should not go ahead.

M C F Smith,
CrossRail project director
CrossRail Project Team,
Eastbourne Terrace,
London W2 6LW

Unfavourable comparison

From Herman Harmelink III.

Sir, After reading John Postgate's diatribe against religion ("Religion: are we better off without it?", June 18), it was refreshing to read in the same issue about another scientist, Conway Morris, who trusts his intuitions in non-scientific as well as in scientific matters. Postgate's case might have been stronger if he had not judged religion by its worst representatives and science by its best. Fundamentalists are no more characteristic of the best in religion than are cheats and frauds representative of the best in science.

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FINANCIAL TIMES

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Wednesday July 6 1994

A sad loss for South Africa

Yesterday's announcement of the impending departure of Mr Derek Keys as South Africa's finance minister presents Mr Nelson Mandela with the first serious challenge of his presidency.

There is no reason to doubt Mr Keys when he cites "personal reasons" for deciding to hand over his portfolio in October: he had always made clear that he did not see a long-term future in politics, and that once he had overseen the economic transition from apartheid to a government of national unity he would want to leave public life.

He can justly claim that his budget of June 22 set the seal on such an orderly transition. It demonstrated that the new government intends to live within its means – by keeping the budget deficit to about 6 per cent of gross domestic product – as it struggles to redress the legacy of apartheid with a reconstruction and development plan. It underlined, above all, that stability would have to take precedence over fulfilling expectations of dramatic overnight change.

Nevertheless, there can be no denying that Mr Keys's departure leaves a large hole. Former President F W de Klerk apart, no other individual has done as much to reassure the local business community and international investors during the past two years of tumultuous change.

His greatest achievement has been to win and maintain the confidence of the African National Congress during the transition. Although he was chosen by Mr de Klerk, the force of his personality and his reputation as an apolitical pragmatist played a vital part in the ANC's abandonment of socialist economic policies.

Compounding the loss was the way in which the resignation emerged – through a premature leak that unsettled financial markets. To limit the damage, Mr Mandela must not only announce a credible successor without delay, but also reaffirm in the strongest possible terms that his government intends to persevere with Mr Keys's policies of fiscal discipline and market reform.

Ideally, such a reassertion of principles would be accompanied by equally unambiguous statements from the two other key members of the team administering economic policy, Mr Alec Erwin, deputy finance minister, and Mr Jay Naidoo, responsible for the reconstruction plan. They have already played a critical role, arguing as vigorously as Mr Keys for financial discipline, and their background in South Africa's trade union movement will give their words added weight.

The jittery market reaction to the rumours that preceded yesterday's announcement should in itself provide Mr Mandela with a salutary lesson: that South Africa's new leadership still has a lot to prove in economic policy. If the episode of Mr Keys's resignation reinforces awareness that the policies he bequeathes are vital to domestic management and international confidence, it may yet turn out to have served a useful purpose.

Child support

It is rare for government bodies to acknowledge their shortcomings, still less to apologise for them. So Ms Ros Hepplewhite, chief executive of the UK Child Support Agency, deserves credit for her candid apology for the agency's failure to provide an acceptable standard of service. Improving its performance, however, will require a more realistic approach by ministers to the job of making absent parents provide adequate maintenance for their children.

The difficulties in establishing the agency have been seriously underestimated from the outset. The Child Support Act floated through Parliament in 1990 on the complacent assumption that it would concentrate on extracting maintenance from the feckless and the irresponsible. Instead, it has hit solid citizens, who have often made what they regard as adequate provision for their children. Their effective campaign against the agency has drowned out the case for greater support for single parents.

That case remains strong. Seventy per cent of absent parents pay no maintenance to their children. Of those that do, the amount averages £25 a week. Most single parents live on social security, usually well below the standard of living enjoyed by the absent partner. It is the children who suffer the consequences, while the state pays the cost.

Attempting to improve the position of single parents by making absent fathers pay more was bound to provoke protests. Treasury greed has made the task much harder, however. The agency was set performance targets that were excessively high for a new organisation involved in sensitive work. These included a requirement to make savings of £530m in the amount of social security paid to single parents. Aiming at this over-ambitious target forced the agency to concentrate on the easiest cases with the greatest scope for higher payments – fathers already paying maintenance. They have been among the most vociferous in campaigning against the agency.

The legislation was also deficient in not providing an appeals procedure for aggrieved parents. And it overturned "clean-break settlements" where the absent parent had settled property on the mother. These settlements often left social security to support the single parent and make the mortgage payments on the transferred home. But the retrospection involved in overturning clean-break settlements flies in the face of natural justice.

Ministers appear to have accepted that their excessive ambition has damaged the agency. More realistic targets have been set for this year and extra resources provided. However, addressing issues such as retrospection and appeals would require further legislation. The government is to be commended for keeping its nerve on the central aims of the CSA; steering through the necessary legislation will be a still bigger task.

Clearing the air

Today's rail strike, the fourth in four weeks, will force a third more cars than usual to battle with Britain's clogged roads. It will also pump more pollution into the layer of smog hanging over southern England and Wales.

This week, as levels of ozone exceeded World Health Organisation guidelines by more than 30 per cent, ministers advised those suffering from asthma or heart problems to avoid outdoor exercise. They also called on drivers to leave their vehicles at home and take to bicycles. It does not take ranks of wheezing cyclists to point out that the advice is partly contradictory; it is also an inadequate response to a growing problem.

Recent warm weather has been the catalyst for the smog, by causing pollutants such as nitrogen oxides and hydrocarbons to react together to produce ozone. While ozone high in the atmosphere protects people from the sun, at ground level it causes coughing, eye irritation and lung damage.

But the real culprits are motor vehicles, especially those without catalytic converters and those with poorly-tuned engines. If all vehicles were fitted with catalytic converters, which strip out 80 per cent of harmful gases, this summer's smog would not have formed. Since January 1993, converters have been compulsory on all new cars – nearly two decades after the US took the same step. But the effects will take time to show: converters cannot be fitted to older cars, and currently only 15 per cent of UK vehicles carry them.

The government's immediate target should be the dirtiest engines. According to the Royal Automobile Club, 10 per cent of vehicles – particularly old buses and lorries – emit half the pollution. The annual MOT test on vehicle quality has incorporated emissions standards since 1991. If these were met year-round by all vehicles, that would solve much of the problem. But motoring organisations say that many vehicles meet the standards only on the day of the test: ageing vehicles can be eased through the MOT by temporary retuning, while recession has discouraged drivers from servicing their vehicles as often.

For that reason, the government should consider tougher roadside checks of vehicle exhausts. Ministers' resistance to this suggestion, raised by health and environmental groups as the shortcomings of the MOT have become clearer, is partly based on cost, but this ought not to be excessive given the vehicle-checking arrangements that already exist.

A second objection is that tighter checks would carry an unwelcome air of intrusiveness. But compared to staying indoors in stifling weather, this is a small constraint on freedom.

Public concern about dirty air is growing. If ministers fail to act against the worst polluters, they will face pressure to restrict all vehicles in urban centres during hot weather, as is already the case in cities like Athens. It is time to face the problem.

Lean eagle fights a fat turkey

Quentin Peel asks whether Deutsche Telekom will prove attractive to investors when it is privatised

"Own goal for Germany," the banner headline over a full-page advertisement in the mass circulation Bild Zeitung trumpeted, as the World Cup football matches were getting under way last month.

It showed a dismal-looking German eagle, feathers flying, watching helplessly as a football flashed by. But it had nothing to do with football.

The advertisement was a desperate appeal by the German state post and telecommunications services to their employees not to go on strike. That would amount to an own goal, they said.

Instead, they urged them to back a pay deal which would allow the reform of the entire sector to go ahead, leading to the eventual privatisation of Deutsche Telekom, the telecommunications monopoly, Postdienst, the postal service, and Postbank, the postal savings bank.

In the early hours of last Saturday morning, the employers and the trade union reached agreement. It was greeted with almost universal relief. The accord preserves for the 670,000 workers in the industry a comprehensive package of social benefits, cheap housing, health insurance and the like, as well as strict rules preventing redundancies, for up to three years.

The employers said the deal went to the limits of what was "entrepreneurially responsible". Despite their failure to renegotiate the industry's fringe benefits, their fear of delaying the privatisation process proved too great to resist. On Friday, the last parliamentary step in the process – approval in the Bundesrat, the upper house of parliament – is expected to be a formality.

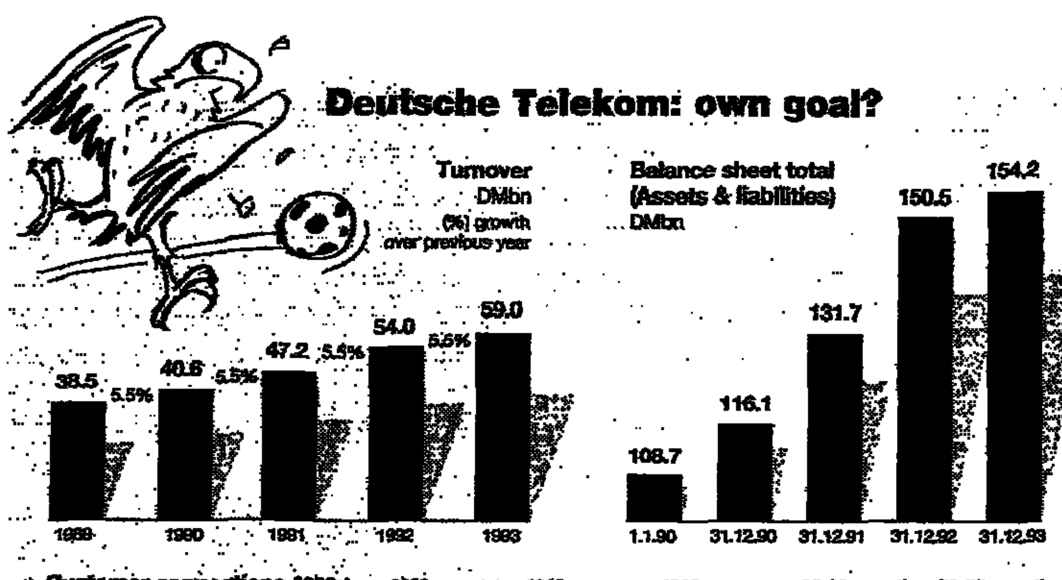
On January 1 1995, Deutsche Telekom will become an *Aktiengesellschaft* (AG) – a joint stock company – and from some time in early 1996 the privatisation process proper will be launched with a first share issue. That will raise, it is hoped, between DM15bn (£6bn) and DM20bn.

Yet many observers fear that the pay deal will prove to have been another own goal for the telecommunications giant itself. It will be coming to the market encumbered with massive debt and a host of burdens from its public-sector past, which could make it decidedly unattractive for private investors.

"There are a lot of questions still to be answered," says Mr Evan Miller, telecommunications analyst with Lehman Brothers. "They will have to address them very specifically when they publish their prospectus."

Not that Deutsche Telekom is shy with facts and figures. When the management board faced press and analysts at the annual press conference last week, simultaneously broadcast from Bonn to London and Singapore, the audience was inundated with statistics.

Deutsche Telekom: own goal?



Customer connections ('000s)	1989	1992	1993	92-93 growth	89-93 growth
East	1,800	3,100	4,150	34%	130%
West	26,850	32,300	32,900	2%	14%
Total	28,650	35,400	37,050	5%	21%
ISDN channels	15	620	1,120	81%	7,400%
Cable connections	6,250	11,820	13,500	14%	116%
Mobile phones	185	850	1,280	51%	590%

Source: Deutsche Telekom

Turnover has been growing by leaps and bounds, thanks not least to an explosion of new users in east Germany, Mr Helmut Ricke, the chief executive, declared. It was up 9.3 per cent last year to DM59bn, and in eastern Germany up from DM3.5bn to DM4.5bn.

Its investment programme in the east has transformed the former communist state from a telecommunications backwater, where only one in 10 had a telephone, and a single rainstorm could knock out tens of thousands of lines, to a country enjoying more modern technology than the west. The cumulative cost of modernisation will have been DM60bn by 1997, by when 7.2m connections will be installed, as well as 360,000 fax connections, 50,000 packet-switched data links, 5m TV cable connections, a complete digitalised switching system, optical fibre networks, and mobile communications networks covering the entire territory.

Ironically it is the sheer scale of that investment which has many observers worried. Telekom has had three huge projects running simultaneously: the eastern investment, the construction of a television cable network, now covering 14m households – the densest in Europe – and the establishment of mobile telephone networks.

"They are a company positioning themselves to be a global player, and to get into all the key parts of the business," according to one Frankfurt industry expert. A considerable strength is Telekom's control not only of the terrestrial telephone infrastructure in Germany, but also of the dense cable network, opening up options for multimedia transmission.

Its recent deals with France Télécom, and the purchase of a 20 per cent stake in Sprint, the US telecommunications company, fits with the strategy of internationalisation. So does a push into eastern Europe, led by the purchase of a 30 per cent stake in Matav, the Hungarian telephone company, a stake in Ukrainian Telecommunications, and an expected stake in the Czech telephone system under negotiation.

On the downside come the burdens of the past. The biggest is the debt burden, now standing at DM107bn, or almost 70 per cent of the balance sheet, and rapidly inflated by the heavy investments of recent years.

Another concern is the unresolved pension question for Telekom's employees. More than 120,000 of the 230,000 employees will retain their status of civil servant. They cannot be fired, and will receive 75 per cent of their final salary in guaranteed pension. The other employees have obtained deals with many of the same advantages.

Mr Peter Paterna, chairman of the German Bundestag's post and telecommunications committee and a leading critic of the privatisation process, estimates the unfinanced burden of pensions and insurance payments for employees at about DM35bn. All three arms of the postal service combined, including the Postbank, face commitments of about DM100bn. As public authorities, they were never required to accumulate the necessary pension funds to pay for the future: they were to be financed from operating income. "The pensions issue is unresolved," Mr Miller says. "It cannot be swept under the rug. It is a big black hole."

Yet he believes the absolute debt level is more worrying. "The interest burden is very real," he says.

What reassured many investment analysts who attended Telekom's presentation last week was the prediction that the current investment programme is peaking, and by 1996, cash flow will exceed capital expenditure, thus gradually bringing the debt burden down. Nevertheless, they still believe that Mr Theo Waigel, the German finance minister, may have to take over a portion of the debt burden to make Telekom shares more attractive in 1996.

There has also been an explosion of potential competitors from the private sector, getting ready to compete with the monopoly once the EU enforces competition in voice telephone services from 1998. The first was Mannesmann, already operating a mobile phone network, which has joined forces with RWE, the electricity utility, and Deutsche Bank to offer corporate networks. Few expect them to stop there once the market is open.

As the telecommunications market place starts to look crowded, for Telekom "the real question is to assess the level to which they are becoming customer-facing, which means recognising the fact that they are a service company," says Mr Tim Hurst, telecoms analyst at Kleinwort Benson.

"The customer should be the measure of all things," says Mr Horst Gellert, the board director responsible for customer relations.

The prospect of privatisation is certainly having a galvanising effect, but there is still a good way to go. "They are working their way up the learning curve," says Mr Miller. "Meetings with analysts still remain long and painfully detailed."

In spite of a massive public relations exercise, with young ladies in lilac and grey suits popping up at public events all over Germany and abroad, Deutsche Telekom still has a fair way to go to persuade a sceptical investing public that it will be a lean and profitable competitor in the harsh telecoms market round the turn of the century.

Three cheers for a weak dollar

PERSONAL VIEW

The trade-weighted dollar has fallen about 5 per cent since April, but this must be seen in perspective. The dollar had previously been trending upwards and, even after the recent fall, it is still 3 per cent above its 1992 average.

President Bill Clinton is "puzzled" by the weak dollar at a time when the US economy is so "strong", and markets around the world are jittery because they fear that the Federal Reserve is going to put up interest rates again. But are the US authorities right to resist the dollar slide, such as it is?

As it happens, Clinton's "strong" economy has been heading for the rocks, even if these are still on the horizon. In the first quarter of 1994, the current balance of payments was 2 per cent of gross domestic product in deficit, having deteriorated fast through 1993. Import penetration of the US, still relatively low by international standards, has for years been growing much faster than penetration of foreign markets by US exports.

We calculate that, other things (including exchange rates) being equal, world output has to rise at least 1.5 times as fast as US output for the US balance of trade to remain a constant share of GDP. For many years this is what happened, as productivity in other countries rose towards US levels. But, since the mid-1980s, growth in the rest of the world has been only a little faster than US growth, so the underlying US trade deficit has deteriorated in a secular fashion.

As a result, US foreign indebtedness has begun to build up in an unsustainable way. In the last 20 years the US has become the world's debtor, and by the end of 1993 had net foreign liabilities worth about 12 per cent of GDP. For a long time the loss of overseas wealth did not obviously matter because, with recorded profits on foreign direct investment in the US so low, the total net flow of property income across the exchanges remained positive.

But the tide has just turned. During the last few quarters, the income flow has become negative and, if the US trade deficit (including transfers) were to be a steady 2¼ per of GDP in deficit, the outflow would build up quite rapidly from now on. The US current account deficit as a whole would rise to nearly 4 per cent of GDP in 10 years and net foreign debt would approach 40 per cent of GDP – the proportion that normally relegates countries to the ignominious

Clinton's 'strong' economy has been heading for the rocks, even if these are still on the horizon

"highly indebted" category. Matters would be far worse if interest rates rose further or if the balance of trade deteriorated even more.

Things could never really get that bad. Long before the US deficit and foreign debt rose to such levels, corrective forces would come into play. The danger is that the correction, when it came, would take the form of demand disinflation, as it always has with debtor countries in the past. If this were to happen, a new twist would be given to the recessionary screw, with endemic unemployment, not just in the US but in the rest of the world as well, ratcheted up several more notches.

A devaluation of the dollar now, before things get out of hand, seems to be just what is needed. The effects on the US economy of changes in the exchange rate are far less costly than in the textbook story – less costly, too, than in the UK experience. Dollar devaluations only seem to have a very small effect on US import prices, real wages and the terms of trade, and as imports of goods and services are still only 11 to 12 per cent of GDP, the direct effect of a (say) 10 per cent devaluation on US price levels is a mere quarter of 1 per cent.

On the other hand, the fact that the dollar price of exports is unresponsive to devaluation means that the price of exports denominated in foreign currency falls a lot when devaluation occurs, causing the trade balance to improve in a very lively way.

A fall in the dollar, even if this goes considerably further than it has already, should therefore be positively welcomed by the US authorities, and by the rest of the world as well. It offers some hope that a significant part of the US chronic payments imbalance, which poses a grave long-term threat to activity and employment throughout the world, will be ameliorated in a timely fashion.

If the US authorities succeed now in supporting the dollar, they will only make the underlying problem worse. If they raise interest rates further in the process, the error will be compounded because the outflow of interest payments on its foreign debt will build up faster, bringing forward the day of reckoning.

Wynne Godley and William Milberg

The authors are both visiting scholars at the Jerome Levy Institute of Bard College, New York. Wynne Godley is a member of the UK Treasury's panel of independent economic forecasters

OBSERVER

Neapolitan bookworms

■ Do the people running Naples' royal palace know something we don't? They have put a good part of their library of 1.5m books under lock and key, prior to this weekend's summit of the G7, which is being held at the palace.

But the subtle carpentry is apparently a little selective. Russia's Boris Yeltsin, who will turn up for dinner on Saturday and stay for Sunday's final part of the summit, is being housed in slightly less luxurious quarters than G7 members; that's only fair perhaps, since he's not a member.

Glass panels have been fixed to prevent books from disappearing from the main room being used by Yeltsin's aides and those of German Chancellor Helmut Kohl. The books are already under lock and key in the room reserved for French President François Mitterrand.

But while French and German officials will be free to handle the books in their *adjoining* offices, the same is not true for the Russian visitors. If they feel the need for some reading matter, they will have to supply their own.

Left feet

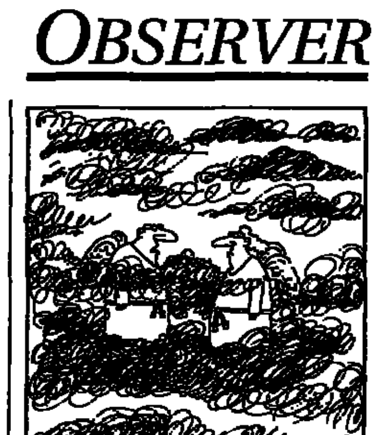
■ Roll up, roll up, for round two of the fight to give the TUC a friendly face. After yesterday's conference on full employment, the TUC is holding a "fiesta" in Brighton on Saturday to show off the "new face" of trade union campaigning. All the fun of the congress – composite motions, deletions and walk-outs – have been quietly muffled to allow a carnival of bands, buskers, clowns and jugglers to perform beneath a big screen television. Once a symbol of Big Brother, the screen is showing live coverage of the World Cup finals.

Sensibly, TUC general secretary John Monks, shadow chancellor Gordon Brown and the union barons addressing an old-fashioned rally have promised to be out of the way before the big match.

Penalty shot

■ He may be the bad boy of international soccer but when he returns to Buenos Aires tomorrow Diego Maradona will receive a hero's welcome. So what if he single-handedly scuppered his team's chances in football's World Cup? His fans – just about the whole of Argentina – still worship him.

A poll just published by a Buenos Aires newspaper records that 58 per cent of respondents reckon Maradona was the innocent victim of an international conspiracy to cheat Argentina out of winning its third world championship; only 13 per cent think he made a serious error in imbibing his mysterious cocktail.



'I had no idea heaven would be this smoggy'

Sleep-walker

■ The sight of a flak-jacketed Sir Patrick Mayhew, secretary of state for the province, roaming the Republican streets of west Belfast late on Monday night caused a bit of a stir among Ulster Unionists.

The Northern Ireland Office described it as a routine patrol by its minister, who likes keeping "in touch with the security forces".

But such is the suspicion of anything Sir Patrick says or does these days that some of the more paranoiac unionists were speculating that he may have been *en route* to a clandestine midnight chat with Sinn Féin president Gerry Adams, in a bid to hurry along the peace process.

Then again, he might have been having one last look at one of the tougher bits of his fiefdom – before being replaced in John Major's forthcoming reshuffle.

Dog of war

■ On the Pacific island of Guam – at the US official war dog cemetery – you will soon be able to visit a life-size bronze sculpture of a Doberman, erected in honour of the many dogs which died helping US troops in the war against Japan.

The dogs "saved hundreds of lives on the island and thousands the Pacific", says retired Lt Gen Claude M. Kicklighter, director of the Pentagon's 50th anniversary of the second world war commemoration committee. As yet, no mention of a presidential medal for Socks.

Not on, old boy

■ Journalists assembling to hear president of the board of trade Michael Heseltine hold forth at the South Africa-Britain Trade Association official lunch in Johannesburg next Tuesday were initially told they would have to pay for the privilege – unless they are the fortunate recipients of 12 free tickets set aside for hacks. "Can't afford to pay for more," said an organiser firmly.

When it was suggested that such mean-spiritedness was not only ungenerous but also might be less than beneficial for UK trading interests, the organisers relented. Maybe guests at next year's Queen's birthday party in Pretoria will be asked to pay for their pink gins.

House cleaning

■ Chris Smith, Labour's environmental protection spokesman, obviously has a sense of humour. Tony Blair, expected to be crowned Labour leader on July 21, made his name as shadow home secretary with the slogan Tough on Crime; Tough on the Causes of Crime. Smith's new slogan? Tough on Grime; Tough on the Cause of Grime.

City-litter

■ Observer's recent comments about the relationship between the cost of cat litter and the price of The Times and The Daily Telegraph has prompted a response from a serious City cat-lover. Having tested all the quality dailies, he reports that his moggy finds the Financial Times the most absorbing, followed by the second section of the Guardian.

FINANCIAL TIMES
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NEC may invest $1bn in UK or US chip plant

By Andrew Adonis in London

NEC, the Japanese electronics group, is considering a $1bn investment in a new semiconductor plant in either the UK or the US.

The company believes its latest semiconductor plant, to be opened soon in Kyushu, southern Japan, will be unlikely to meet rising global demand. A new plant would substantially boost NEC's capacity outside Japan and could create up to 1,000 jobs.

Recent projections from company annual reports estimate that Japan's six leading electronics companies plan to increase investment in semiconductor capacity by 15.3 per cent to a combined Y461bn over the next nine months.

The increase, the first since the economic slowdown began nearly three years ago, is in response to a surge in demand for personal computers in the US and Japan.

NEC, the second-largest semiconductor manufacturer after Intel of the US, said it was likely to decide on the investment before the end of the year. Production would be likely to start in 1996.

The company has substantial facilities in both the US and UK. It employs 1,800 people in the UK, including 900 in a semiconductor plant in Livingston, Scotland, and 600 in a mobile phone facility in Telford, Shropshire. In the US, it has a large semiconductor plant in Roseville, California, employing 1,900.

The company said there was no favourite between the two countries and that no specific sites had yet been considered.

The Kyushu plant will manufacture 16-megabit dynamic random access memories (Drams). The new plant would manufacture 16-megabit chips, and a new range of 60 and 64-megabit chips. Demand for chips is already beyond projected capacity, and the soaring yen is making an overseas investment particularly attractive. "Building another plant in Japan is not considered an option," the company said yesterday. "However, we may still decide not to open a new plant."

Earlier this year NEC announced plans to boost Drams production at Roseville from tens of thousands a month to 1.5 million. It also pledged a £28m investment to increase output at Livingston, and an expansion of semiconductor production in Ireland and Singapore.

NEC's semiconductor sales rose 8 per cent last year. It is projecting an increase of at least 10 per cent this year.

The UK and the US governments will lobby hard for the company to locate new facilities in their respective countries. NEC was one of several Japanese groups attracted to the UK in the 1980s by development incentives and Britain's position as a point of entry into the EU market.

The electronics industry now accounts for 40 per cent of Scotland's exports, but has not expanded markedly since 1989. The choice of Telford for NEC's second UK plant in 1987 followed intensive government efforts to persuade the company not to go to Hanover in Germany.

Semiconductor exports from Japan rose 25 per cent last year, and are projected to increase by a further 10 per cent this year.

Possible rate rises keep US markets nervous

By Our Markets Staff

US stock and bond markets held their ground in nervous trading yesterday as investors waited to see if the Federal Reserve's open market committee (FOMC), which began a two-day meeting in the afternoon, would vote to raise interest rates.

The recent decline in the value of the US dollar had convinced some analysts on Wall Street that the Fed governors and regional presidents who make up the FOMC would decide that it required the support of higher interest rates.

The dollar lost more than a pfennig during London trading yesterday as market sentiment shifted towards the view that central bank support of the US currency was unlikely. It closed in London at DM1.5826 against DM1.5965 on Monday, while in New York it was trading at DM1.5835 at lunchtime.

Against the yen, the dollar dipped to Y98.825 in London, against Y98.9 on Monday, and was quoted at Y98.87 in New York mid-session trading. Higher interest rates could divert international money flows into dollar-based financial assets such as US government bonds.

Although sentiment towards the dollar remains firmly negative, analysts said the market was wary of selling the currency aggressively for fear of being caught out by concerted central bank intervention.

US stock and bond prices spent the morning moving within a narrow trading range, as many investors and traders chose to sit on the sidelines until the FOMC meeting was over. By 1pm, the Dow Jones Industrial Average was up 12.63 at 3,659.28, but broader indices were either flat or lower. Treasury market prices also barely moved, with the yield on the 30-year benchmark bond holding steady at 7.6 per cent.

Although all eyes were on the FOMC, not everyone on Wall Street was convinced that the committee would decide whether or not to raise rates. Some analysts believed the Fed would not review its monetary policy stance until it had seen the latest employment figures, due on Friday.

Weak dollar, Page 13; International bonds, Page 19; World stocks, Currencies and London stocks, Section II

THE LEX COLUMN

Seven sisters slimming

Texaco's cost-cutting plan is a sign of just how hard oil companies are having to work to earn a decent return from their assets. Most majors, including Texaco, made returns on capital of 8-10 per cent last year. Economic recovery throughout the industrialised world and the recent rebound in crude prices will boost these returns, but not sufficiently to cover the long-run cost of capital over the economic cycle.

So the majors are having to take an axe to their costs. Most, apart from Exxon, the industry's master of cost control, have plenty of fat to trim. Companies became bloated in the 1970s and the early 1980s when crude prices were high. Texaco's package of job cuts, asset write-downs and "delayering" is designed to cut overheads by $300m a year, the company's biggest reorganisation since it was forced into Chapter 11 in the late 1980s. Mobil, Chevron and Amoco have all made similar moves to slim down. BP, which is close to reaching its target of cutting operating costs by $1bn a year, is about to kick into the second phase of its restructuring plan which involves cutting another $1bn of costs.

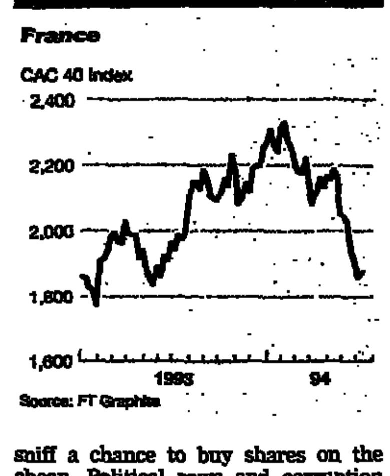
In the short term, the restructuring wave will deliver improved returns. But in the medium term, competition will prevent cost-cutting translating into wider margins. A leisurely approach to restructuring, such as that adopted by Shell, will not be enough to earn good returns. Only companies that constantly strive to improve efficiency will move ahead. Cost-cutting looks like becoming a permanent industry feature.

France

The Paris bourse is being torn between fear and greed. It is uncertain which emotion will prevail. The recent whiff of corruption in the business world, which is rapidly developing into a stench, has been offending international investors. Companies accounting for some 16 per cent of the CAC 40's capitalisation have been tainted by one form of scandal or another. Many of the allegations may prove unfounded but the damage to sentiment will persist. The CAC 40 has already fallen 18 per cent this year, substantially underperforming the German and UK markets. It is not easy to see that trend quickly reversing itself as political uncertainties mount ahead of next May's presidential elections.

Nevertheless, investors with steely nerves and long time horizons may

FT-SE Index: 2965.0 (-5.4)



Source: FT Graphite

sniff a chance to buy shares on the cheap. Political rows and corruption scandals are unlikely to knock corporate earnings. Significantly, perhaps, the savaging of Alcatel's shares on Monday was followed by a sharp rebound the following day. The French economy also appears to be coming good. The statistics office yesterday confirmed industrial production had risen 2.1 per cent in April. That may have owed much to a fiscal stimulation package revving up the car market in particular. But many other industrial groups, which have squirrelled away provisions during recession, could well produce some surprisingly good earnings gains.

South Africa

Mr Derek Keys looks sincere in maintaining that there is no policy motivation behind his resignation as South Africa's finance minister. Just the same, his departure is a further blow to hopes that political reform would lead to large investment inflows. Mr Chris Stals, who is widely respected internationally, remains at the helm of the Reserve Bank, but he has no influence over fiscal policy. Doubtless there will be a quick search for a new finance minister with international appeal. But it is hard to imagine Mr Keys' successor wielding the same clout in cabinet on the budget, and an ability to keep public spending under control is crucial to South Africa's economic stability.

In theory South African equities represent good value. A historic price/earnings multiple of around 19 is low both by general emerging market standards and for a country on the threshold of a cyclical earnings recovery. Similarly bonds offer attractive real returns after the three percentage point rise in yields this year. But while the political uncertainty continues, enthusiasm is likely to remain muted. It would help if higher prices for minor metals like palladium spilled over into the dollar price of gold. Extra prosperity would make the politicians' task easier too.

British Rail

Yesterday's figures from British Rail are something of a curiosity. This year's results will be transformed as BR starts to pay Railtrack service charges in place of its own direct costs. But whichever way the cake is cut, the £350m gulf between operating costs and revenue will have to be narrowed if privatisation is to be a success. While the 7 per cent reduction in costs last year points the way ahead, today's strike is a reminder of the countervailing pressures.

Of course, it is possible that savings matching those in other privatised industries can be achieved. But to revive the railways, franchise operators will also have to do better at drumming-up business than BR's current management. The average fare per mile increased 6.5 per cent last year, yet passenger revenue rose by less than 3 per cent. Passenger miles have now fallen 10 per cent over the last five years. Although recession played its part, rail shows no sign of reversing its long-term decline in market share.

BR's response has been to raise prices on peak commuter services, where it believes it has a captive audience, and use promotional activity to fill off-peak trains. Given the mixed results of that pricing strategy, the time may have come for some Branson-style innovation.

Takeover rules

Last week's purchase by Enterprise of its 10 per cent stake in Lasmo may well have been within the rules of the takeover game. But that only goes to show that the rules need changing. A system that allowed Enterprise to offer a few large shareholders up to 169p for their Lasmo shares when the best most investors could receive in the market was 143p is blatantly discriminatory. Non-executive members of the Takeover Panel are pushing to have the rules reviewed. All power to their elbow.

Alcatel chief hits at probe

Continued from Page 1

for 12 days in connection with a fraud investigation.

According to Mr Guy Danet, Mr Suard's lawyer, the investigations into the Alcatel chairman are focusing on around FFr700,000 of work done at his private properties. About FFr400,000 relates to personal work, including the refitting of bathrooms and a kitchen.

The investigating judge claims that Mr Suard had underpaid for the work, performed by suppliers of the group, a claim which is rejected by the Alcatel chairman.

The investigation is also examining payments for FFr300,000 relating to security work at Mr Suard's properties, which was paid for by Alcatel. The company says all of the work, which totalled FFr3.2m, was justified by professional considerations.

Company officials said it was in line with government guidelines on security measures following the assassination of Mr Georges Besse, the former head of Renault, the state-owned automobile group, in 1986.

Mr Suard dismissed the probe as "banal", but expressed fears that it could hurt the reputation of Alcatel on international markets. He also expressed concerns about how news of his detention on Monday had spread to the financial markets, calling for an inquiry by the Commission des Operations de Bourse, the French stock exchange watchdog.

Mr Suard's detention prompted a sharp fall in Alcatel's shares, which lost more than 8.3 per cent on Monday. Yesterday, however, the company's shares regained much of the loss, closing up 5.7 per cent at FFr572.

China plans curbs on foreign films

By Tony Walker in Beijing

China signalled yesterday that imported films will be limited to 30 per cent of its movie market, claiming that the restriction was to protect its film industry and not to shield citizens from foreign influence.

The official China Daily quoted Mr Li Wenbin, an official of the Ministry of Radio, Film and Television, as saying that foreign films would be subjected to "more careful screening".

Mr Li insisted the restrictions were not aimed at excluding "foreign culture". The intention, he said, was to "protect and develop the national movie industry", although foreign makers would not be entirely excluded.

"Co-production of films with foreigners can survive [the new rules] if the principle of mutual benefits is observed," he was reported as saying.

Over the past year, the Chinese authorities have become increasingly sensitive to films that have reflected negatively on the role of the Communist party. The acclaimed *Farewell My Concubine* was heavily censored because it cast the party in a poor light.

A film co-production of the acclaimed book about the Cultural Revolution, *Life and Death in Shanghai*, has also been put on hold, apparently because of concerns about negative official reaction.

The proposed rules coincide with general tightening up by China's leaders, including campaigns against official corruption and dissident publications. The China Daily report did not reveal when the regulations would come into effect.

China has also this year sought to curb reception of satellite-broadcast films by banning satellite dishes without a permit. However, attempts to curtail the spread of dishes appears to have had mixed results.

The country's film industry, heavily protected for many years from foreign competition, has recently been obliged to compete with imports, particularly from Hong Kong.

According to the new rules, co-production deals – the main avenue for foreign film makers operating in China – will be limited to 30 a year. "Film co-production will be well received so long as they are of fine artistic taste and sell well," said Mr Li.

Hope for accord over EU presidency

Continued from Page 1

the other four being mentioned in London are Mr Ruud Lubbers, the outgoing Dutch prime minister who failed to muster enough votes at the Corfu summit; Mr Hans Van den Broek, the Dutch commissioner in Brussels for external political affairs; Mr Renato Ruggiero, at present Italy's candidate to head the World Trade Organisation; and Mr Poul Schlüter, the former Danish prime minister.

Britain is unwilling to give public support to any individual candidate for fear of a backlash from other EU governments in the wake of Mr Major's decision in Corfu to veto the candidacy of Mr Jean-Luc Dehaene.

But it is clear that Britain's first preference is Mr Amato.

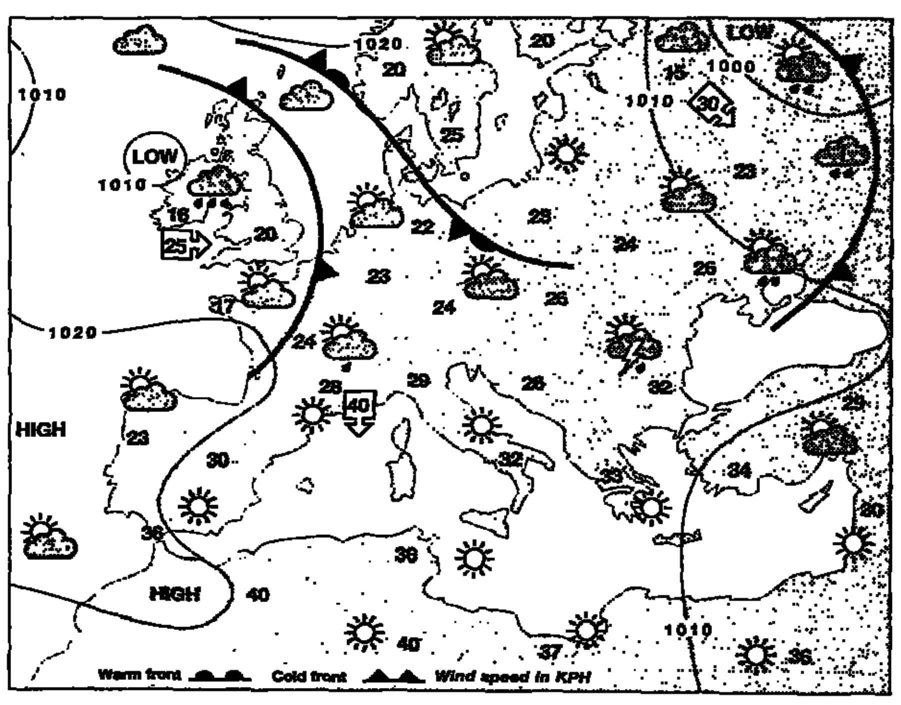
FT WEATHER GUIDE

Europe today

Temperatures in many parts of Europe will *return to seasonable levels, although* tropical conditions will continue over the Balkan states, Greece, Italy and Spain. The British Isles, the Low countries and northern parts of France will be cloudy with a few showers and temperatures will reach 20C. Summery conditions will prevail over northern Europe, especially Norway and Sweden where there will be plenty of sunshine and temperatures at around 25C. Finland will be cooler as a result of a depression over north-western Russia. The Alps will have some thunder showers, especially during the afternoon and evening but these will not be as heavy as on Monday.

Five-day forecast

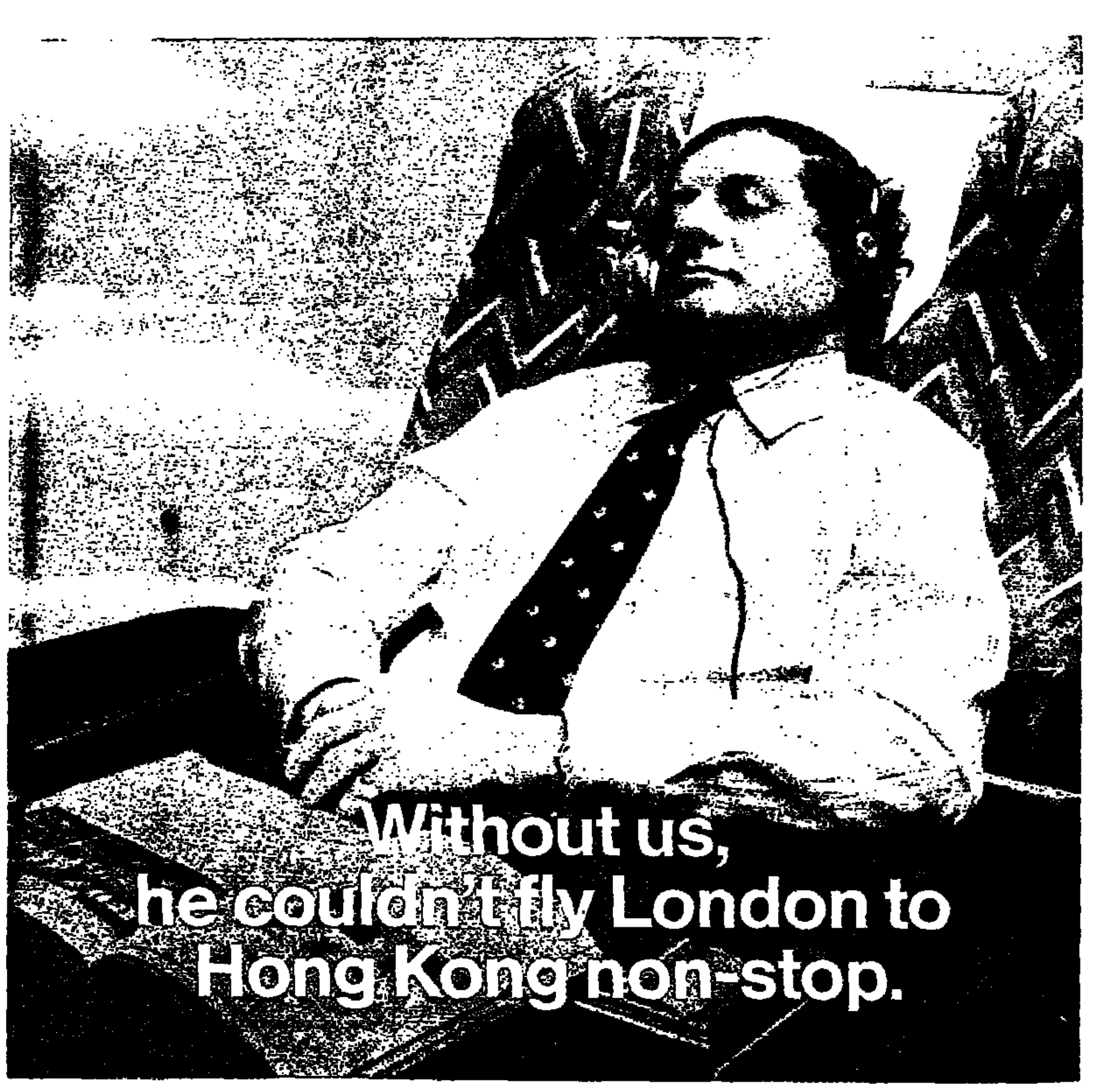
After cooler conditions, temperatures in western Europe will rise. Temperatures for the British Isles and the Low countries will range between 18C and 23C. Southern Europe will remain warm, while a westerly air flow will bring cooler conditions to northern Europe. Norway will become considerably cooler.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	39
Accra	fair	29
Algiers	sun	36
Amsterdam	cloudy	20
Athens	sun	33
Atlanta	shower	31
B. Aires	drzzl	12
B.ham	shower	19
Bangkok	cloudy	35
Barcelona	sun	28
Beijing	fair	31
Belfast	shower	17
Belgrade	shower	28
Berlin	fair	22
Bermuda	thund	32
Bogota	cloudy	19
Bombay	thund	30
Brussels	fair	21
Budapest	cloudy	24
C.hagen	fair	19
Cairo	sun	36
Cape Town	fair	18
Caracas	cloudy	27
Cardiff	shower	18
Casablanca	sun	30
Chicago	fair	34
Cologne	fair	23
Dakar	fair	28
Dallas	fair	36
Delhi	fair	34
Dubai	sun	38
Dublin	shower	16
Dubrovnik	sun	33
Edinburgh	shower	16
Faro	sun	31
Frankfurt	fair	25
Geneva	fair	26
Gibraltar	sun	30
Glasgow	shower	18
Hamburg	shower	21
Helsinki	cloudy	18
Hong Kong	thund	32
Honolulu	cloudy	32
Istanbul	sun	30
Jakarta	fair	33
Jersey	cloudy	18
Karachi	fair	34
Kuwait	sun	46
L. Angeles	sun	27
Las Palmas	sun	32
Lima	cloudy	17
Lisbon	fair	25
London	fair	20
Lux.bourg	fair	23
Lyon	fair	25
Madeira	fair	26
Madrid	sun	30
Majorca	sun	33
Malta	sun	34
Manchester	shower	19
Manila	rain	32
Melbourne	sun	19
Mexico City	fair	23
Miami	fair	32
Milan	thund	28
Montreal	shower	25
Moscow	shower	16
Munich	fair	23
Nairobi	shower	24
Naples	sun	32
Nassau	sun	32
New York	thund	32
Nice	sun	26
Nicosia	sun	34
Oslo	sun	25
Paris	fair	23
Perth	shower	19
Prague	fair	22
Rangoon	thund	30
Reykjavik	fair	18
Rio	fair	24
Rome	sun	30
S. Frsco	sun	24
Seoul	thund	28
Singapore	cloudy	31
Stockholm	sun	23
Strasbourg	fair	25
Sydney	fair	21
Tangier	fair	29
Tel Aviv	sun	33
Tokyo	shower	29
Toronto	thund	29
Vancouver	sun	22
Venice	thund	28
Vienna	shower	23
Warsaw	cloudy	23
Washington	fair	34
Wellington	windy	9
Winnipeg	rain	24
Zurich	shower	24



FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday July 6 1994

IN BRIEF

Topdanmark set to return to red

Topdanmark, the Danish insurance and finance services group, expects to slip back into the red this year with a loss approaching DKr200m ($31.93m). Page 16

Mandarin Oriental may quit HK SE
The board of the Mandarin Oriental hotel group is likely this autumn to decide to stop trading its shares on the Hong Kong stock exchange. Page 16

US computer groups in link-up
Wellfleet Communications, the second-largest US manufacturer of routing devices to link computer networks, announced a $1.1bn merger with SynOptics Communications, a leading supplier of computer network switching and management systems. Page 17

Growing up painfully in Australia
Australia's wine export industry is young – at least in international terms – and beset with growing pains. Page 18

Gencor postpones announcement
Gencor, the South African mining and metals group, has postponed the announcement, planned for yesterday, of details of its long-awaited $1bn deal to buy the Royal Dutch/Shell group's mining and metals operations. Page 18

Thai SE acts on share offerings
Thailand's Securities and Exchange Commission announced new rules governing initial public offerings of stock, in an attempt to broaden share ownership and end corrupt deals involving underpriced shares in newly-listed companies. Page 19

Howden shares up on 49% advance
Shares in Howden Group rose by 4p to 88p yesterday after the UK engineering company reported a 49 per cent increase in annual pre-tax profits. Page 21

Birkby sales at a record
Birkby, the UK space management and hire purchase company, announced pre-tax profits up threefold and said that all divisions were experiencing record sales for the first 13 weeks of the year. Page 21

Thorn EMI may sell defence arm
Thorn EMI, the UK music and electronics rental company, is discussing the sale of its remaining defence businesses. Page 22

Vibroplant advances 47%
Vibroplant, the UK specialist plant hire group, was helped by improved first-half UK trading conditions which were sustained in the second six months, and lifted pre-tax profits by 47 per cent. Page 22

Competition from the big cats
British holidaymakers gearing up for trips abroad are being offered two main choices: a fast no-frills journey through the Channel tunnel or a slower, more relaxing crossing by ferry. Next year, travellers will have another choice, with the arrival of large high speed catamarans on short sea routes around the UK. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
AG Ind & Verk	558	+	13	Alcatel Alsthom	572	+	31
Porsche	783.5	+	8.5	LVMH	864	+	17
Springer Axel	640	+	10	Union Immob Fr	580	+	43
Falls				**Falls**			
Daimler Benz	710.5	–	10	Cred Lyon	485	–	10
Henkel	577	–	14	Cred National	470	–	20
Karstadt	576	–	14	Immobanque	685	–	25
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
IBM	57¾	+	¾	Kirin Brewery	1220	+	40
Mobil	82¾	+	1½	Matsushita Elec	1850	+	30
Sony	63	+	3½	Oki Elec	817	+	22
Texaco	61⅛	+	1⅛	Sharp	1880	+	30
Falls				Terumo	1020	+	103
Synoptics	15¾	–	⅜	Toshiba	830	+	18
Wellfleet	21⅛	–	3⅛				

New York prices at 12.30.

LONDON (Pence)							
Rises				Vibroplant	96½	+	4½
Acorn Computer	88	+	8	Wood (John D)	53	+	6
Britannic Assnce	407	+	21	Worthington	89	+	3
Brit Airways	392	+	12	**Falls**			
CAMAS	77	+	5	Azlan	222	–	18
DCC	203	+	8	Betterware	97	–	7
Howden	88	+	4	Caldwell	45	–	4
Meyer Intl	417	+	13	Dods	150	–	18
Neepsend	41	+	3	Cowie	249	–	10
Osborne Little	384	+	15	European Motor	123	–	11
Refuge	280	+	9	Rank Org	384	–	9
Sims Food	84	+	13				
Torex Hire	54	+	5				

Flexibility over sales increased and contingent finance needs cut by applying BAe's model designed by Lapthorne

Airbus to form finance subsidiary

By Bernard Gray in London

Airbus Industrie, the European aerospace consortium, is expected to announce today the formation of an aircraft financing subsidiary, to be called Airbus Finance Corp. The new company will handle the financing of future Airbus sales, and AFC could eventually handle up to $5bn of aircraft finance.

Many airliner sales are via leases, with banks owning the aircraft and airlines holding long leases. Airbus Finance Corp will act as a middleman, helping to arrange finance in whatever form the airline requires.

It is intended that AFC should stand alone and hold its own credit rating. Initially it will be led on a part-time basis by Mr Tony Rice, the treasurer of British Aerospace. Negotiations to open banking lines are expected to begin shortly, with the company operational in the autumn.

Creating the subsidiary will allow Airbus greater flexibility in the financing it can offer customers. It will also cut down the financial commitments of the Airbus consortium members, enabling them to help guarantee the finance of more aircraft sales than hitherto.

Because Airbus is not incorporated, each Airbus partner is jointly and severally liable for the financial risks run by the consortium.

So, for example, if $100m of aircraft were leased directly from Airbus, each of the consortium members would be potentially liable for the $100m if the aircraft were returned. All four consortium members would thus have a contingent liability of $100m and would have to retain the financing to meet that.

Under the new finance company, the four Airbus partners will between them guarantee the financial risks of the subsidiary, which might typically amount to 20 per cent of finance provided. Each individual member would thus see its contingent financing needs fall from 100 per cent of the aircraft's value now to 5 per cent.

Establishing AFC is also intended to help Airbus put its assessment of financing risks on a more scientific footing and allow the consortium to make more informed decisions about the risks of default when considering aircraft sales to airlines.

An Airbus A340 and Richard Lapthorne, BAe's finance director who pioneered the development at its regional jet business

The new structure is backed by all the consortium members, but is based on the model developed by BAe to restructure its regional jet business. Mr Richard Lapthorne, BAe's finance director who pioneered the development, was closely involved in designing the new finance company.

About one-third of Airbus's aircraft are leased, with the rest direct sales to airlines. However, many leased airliners are handled by external finance companies which have no recourse to Airbus.

Big Japanese mortgage lender faces liquidation

By Gerard Baker in Tokyo

In another blow to Japan's fragile banking sector, Nippon Mortgage, one of the country's largest property-backed lenders, is to file for bankruptcy, according to company sources. It will be the third largest corporate collapse in Japanese postwar history.

The company's main shareholder, Sumitomo Trust and Banking Corporation, has endorsed the planned liquidation.

Nippon Mortgage has been in difficulties since October 1991. It has debts estimated at Y473bn ($4.78bn) in short and long-term borrowings.

A formal announcement of the lender's decision is expected by the end of the week and the directors will file for voluntary liquidation by September.

The company owes an estimated Y120.1bn to Sumitomo Trust, Y27.1bn to the Industrial Bank of Japan, and Y25.3bn from the Long Term Credit Bank of Japan. At March 31 it had assets of Y454.7bn, and liabilities of Y518.4bn. Some estimates put its non-performing loans at 90 per cent of its total loan book.

The bankruptcy is certain to alarm the Japanese banking system which is already struggling with mounting bad debts. Nippon Mortgage was set up by Sumitomo Trust and two property companies in 1982 to specialise in property-related lending, an activity from which banks were largely excluded by government regulations.

Many banks established similar mortgage companies in the 1980s to take advantage of the surge in the country's property prices. Following the collapse of the "bubble economy" at the end of the decade, most of them have been left with enormous portfolios of non-performing loans.

Banks have been criticised for failing to write off or make sufficient provisions for bad debts. In the year ended March, Sumitomo Trust made provisions for bad loans of just Y80bn. Industry sources put its likely write-off of loans to Nippon Mortgage alone at about Y90bn.

The Ministry of Finance said Nippon Mortgage's performance had been carefully monitored because of the high proportion of its loans that were known to be nonperforming. But Mr Atsushi Nagano, deputy director-general of the ministry's banking bureau, denied that the collapse would precipitate a financial crisis as there were no individuals among its creditors. He added that the liquidation should be seen as just one further development in the process of the disposal of non-performing loans.

There have been just two larger collapses in Japanese corporate history. In November last year Muramoto Construction folded with debts of Y590bn, and in 1985 Sanko Steamship went out of business owing Y520bn.

Spanish bank may sell 18% of Cepsa to underpin profits

By Tom Burns in Madrid

Banco Central Hispano (BCH) may sell 18 per cent of Cepsa, Spain's second-ranked petrol refiner and distributor, as a means of underpinning flagging banking profits.

BCH has hired J. P. Morgan, the US bank, as adviser to the disposal which could raise between Pta40bn and Pta45bn ($340m). This would be the bank's largest disposal so far of its widespread of industrial interests.

As part of the deal, which would reduce BCH's shareholding in Cepsa to 20 per cent, the bank is seeking to retain the voting rights of the shares it is selling to remain a controlling shareholder in Cepsa.

Cepsa, which has a 25 per cent share of the domestic petrol market, has traditionally been the most important single element in BCH's industrial portfolio.

BCH yesterday said that three options were under consideration: to issue Cepsa warrants to outside investors; to create a portfolio company, controlled by BCH, which would buy 18 per cent of Cepsa from the bank; or to enlist an investor group, willing to waive its voting rights, as a large Cepsa shareholder.

The disposal under any of the three procedures would be conducted with the approval of Elf Aquitaine, the French energy group which has a 30 per cent stake in Cepsa and a 2 per cent holding in BCH. It is understood that Elf does not want to increase its equity in Cepsa.

BCH's initiative will be welcomed by analysts in Madrid who have consistently called on the bank to switch funds away from industrial assets and into mainstream banking to improve bank profit margins.

Earlier this year BCH reduced its stake in Aumar, a toll motorway operator, from more than 60 per cent to 51 per cent via a global share offering.

If BCH succeeds in disposing of part of its Cepsa stake while retaining control over the refiner, it is likely that the bank will consider further equity sales, notably at Vallehermoso, a property company, Dragados, a construction group, and Azucarera, a sugar company.

Success for share applicants in Italy's biggest sell-off

By Andrew Hill in Milan

All 418,000 ordinary Italian investors who applied for shares in Ina, the former state-owned insurance company, will receive some or all of the shares they asked for, making it the first Italian privatisation not to leave at least some prospective small shareholders empty-handed.

The shares will begin trading today in Milan, London and New York, and the scale of market activity – and whether the shares rise to a premium over the L2,400 offer price – is likely to be taken as a gauge of the success of the issue.

The sale is the largest Italian privatisation to date, and one of the biggest in Europe in the past three years.

Advisers yesterday played down the fact that the offer was not as heavily subscribed as previous Italian privatisations. They said that it was the second most popular Italian sell-off in terms of the number of public applications, and was much bigger than previous sales of stakes in financial institutions Credito Italiano, Banca Commerciale Italiana (BCI) and IMI.

If the Italian Treasury, which owned 100 per cent of Ina, later decides to release 260m additional shares held in reserve to meet additional demand then the sale will raise more than L5,000bn ($3.1bn) to help reduce Italy's public debt. The sale of these shares to underwriters would bring to 53.5 per cent the stake sold by the government, against the 51 per cent originally promised to the market.

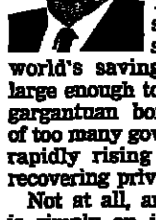
Public demand for the Ina shares was probably affected by the Treasury's declaration at the end of the first day of last week's offer that the issue was "sold out", thought to have deterred applicants. Recent stock market turbulence may also have dampened demand.

The institutional offer of Ina shares attracted applications for 1.43bn shares and the 1,584 potential Italian and international institutional investors will have 590m shares between them.

The main part of the public offer brought applications for 895m shares from 291,000 investors, who have been allocated 730m shares.

Barry Riley

The small step from timidity to liquidity



When the price of long-term capital jumps, as it has done in the first half of 1994, explanations abound. There is a capital shortage, argue some, because the world's savings are no longer large enough to support both the gargantuan borrowing appetites of too many governments and the rapidly rising demands of the recovering private sector.

Not at all, argue others, there is simply an increasing fear of inflation and a worry that governments will soon more generally begin to raise short-term interest rates. Savings and investment will always balance, though maybe at a different interest rate.

Yet the Swedish government, at least, may see things more starkly following last week's announcement by one of the country's biggest institutional investors, the insurance group Skandia, that it was ceasing to buy Swedish government bonds because state indebtedness was threatening to run out of control.

Gerald Holtham, London-based international economist at Lehman Brothers, dismisses the idea that there is any kind of global capital shortage. This could only arise in much more buoyant economic circumstances, he says. Instead we have been seeing an increase in liquidity preference.

The role of Japanese investors and institutions, seeking to escape risk, has been crucial here. They have been repatriating overseas assets and building up their liquid yen assets; to offset the flows the Bank of Japan has been buying US Treasury bills and other short-term paper.

Moreover the western hedge funds and banks which last year were eagerly borrowing short and investing long have been unwinding their positions.

However, I am *not* sure that the distinction between capital shortage and liquidity preference is particularly helpful. A mere *expectation* of a future capital shortage will in effect generate *that* shortage sooner.

In any case, any current apparent *shortage* should be seen in the context of last year's capital *glut*, which caused borrowers to become complacent. In the UK, for instance, the government sold only £12.6bn of gilts to domestic long-term institutions in the 1993-94 fiscal year, down £3bn on 1992-93, but sold an unprecedented £17.5bn to foreigners. It also, according to Salomon Brothers, sold £5bn to securities dealers in the first nine months, but these sold out in the January-March quarter.

There is a UK issuers' strike to set against the buyers' strike in Sweden

This pattern was probably typical of many national government bond markets last year, and raises the question of how deficits can be funded if the speculative inflows cease, and still more if they are reversed.

Meanwhile Gordon Pepper, of the City University Business School, has recently developed his monetarist theory of asset prices to attempt to explain the abruptness of the bond market break last winter. He says that when securities trades based on liquidity pressures become persistent it becomes impossible for the valuation shifts they cause to be reversed by speculative (or value-based) transactions, and then rises or falls in prices can become self-feeding.

This happens when the financial system is badly out of equilibrium: the demand for finance is not equal to the supply of savings. Last year the bond markets were overwhelmed by liquidity-based purchases and were not able to discount adequately the predictable event of a monetary tightening by the US Federal Reserve. Once the signal came, however, the liquidity-based transactions went into reverse.

By the same token, you could add, the bond markets may at some stage in the near future bounce sharply upwards, and thus yields fall, once the selling pressure abates.

That is presumably, for instance, the expectation of the British government, which is refusing to fund its deficit in the normal way at the rates set by the market for medium- and long-term sterling debt. There is a UK issuers' strike to set against the buyers' strike in Sweden.

Probably the notion of a capital shortage is too vague to apply precisely. But governments had better stop behaving as though there were an unlimited supply of global capital available to prop up bankrupt state pension schemes or pay for the soaring costs of unemployment.

They will encounter a credibility shortage soon enough.

Topdanmark expects to slide back into the red

By Hilary Barnes in Copenhagen

Topdanmark, the Danish insurance and finance services group, expects to slip back into the red this year with a loss approaching DKr200m ($31.93m). It returned to profit in 1993 following two years of losses.

The latest loss has been caused by provisions totalling DKr253 made by a new management team brought in last spring.

The provisions cover losses at Aktivbank, the group's German banking subsidiary, and property losses in the US, said Mr Kaj G. Schou, chief executive.

The group has also suffered this year from falling bond and share prices. Mr Schou said the group would make a profit in the second half – of between DKr75m and DKr125m – but there would be loss of almost DKr200m for the full year.

Topdanmark made a profit of DKr53m in 1993. Its losses in 1992 were DKr107m.

Topdanmark stressed that the group's core insurance business was going well. Topdanmark is part of Eureko, the European insurance alliance between Friends Provident of the UK, AVCB of the Netherlands, Wasa of Sweden and Ocidental of Portugal. Eureko holds a 32 per cent stake in Topdanmark.

The group's poor performance for several years dates back to the acquisition of Aktivbanken, a Danish regional bank, in 1989. The main Danish assets of Aktivbanken were sold to Sydbanken in May.

The acquisition cost Topdanmark DKr1.4bn, and the bank then went on to lose DKr581m in the next four years. This has left the group with a funding problem. It has some DKr1.5bn in loans which have to be renewed in 1995 and 1996.

Leading Danish institutional shareholders rebelled earlier this year, announcing that they would not subscribe to any new equity issue made by Topdanmark.

Their action forced the resignation in March of Mr Henning Birch, chief executive for the previous eight years.

The chairman of the supervisory board, Mr Oluf von Lowzov, resigned a month later.

Receivers warn on Broadgate

By Andrew Taylor and Simon Davies in London

Receivers to one of the partners in Broadgate, London's biggest property joint venture, have said they will fight attempts by British Land to acquire its developments cheaply.

Mr Roger Oldfield, joint administrative receiver at Rosehaugh, one of two Broadgate partners, said yesterday: "We have a strong position and I am not going to allow British Land's chairman, or anybody else, to get their hands on some of London's most valuable assets at less than a full price."

His warning follows the acquisition by British Land in February of a 29.9 per cent stake in Stanhope Properties, which owns 50 per cent of Broadgate Properties, developer of two of the capital's largest office schemes, valued in excess of £1bn ($1.52bn).

Rosehaugh, which owns the other 50 per cent of Broadgate, went into receivership in December 1992. British Land has transferred its Stanhope stake to the £500m British Land Quantum Property Investment fund, formed last year with Mr George Soros, the US investor.

British Land would not comment on the state of negotiations.

However, it has made no secret of its intention to implement a restructuring which would give the fund 100 per cent of the Broadgate Centre and the Ludgate office developments, and leave Stanhope's existing management with a less indebted business.

The banks, which are still owed about £280m by Rosehaugh, also lent large sums to Stanhope and Broadgate.

Mr Oldfield said that he had received strong support from Rosehaugh's bankers when he met them last month to outline the receiver's position on the recent events at Stanhope.

Universale posts Sch607m deficit

By Ian Rodger in Zurich

Universale-Bau, the troubled Austrian construction group, has reported a Sch607m ($54.07m) loss for 1993 as a result of heavy losses by operations in eastern Germany and Hungary.

No dividend is being paid in respect of 1993, compared with a 20 per cent payment for 1992.

The loss, which compares with a profit of Sch55m in 1992, was largely covered by liquidating reserves of Sch605m. Revenues rose to Sch7.4bn from Sch7.1bn.

Universale, 64 per cent owned by Creditanstalt-Bankverein, sacked its chief executive, Mr Josef Vlcek, and two other directors in January following the deterioration of its activities in eastern Germany and Hungary.

Operating profits fell last year to Sch15m from Sch108m in 1992. Mr Reinhold Süssenbacher, the new chief executive, said activities in Austria made a small operating profit.

Mr Süssenbacher has forecast that the group would break even in the current year, although the Hungarian and German operations would remain in loss. He said the group could see a turnround in these operations and would not withdraw.

Gomez to be reconfirmed as Thomson president

By David Buchan in Paris

The French government yesterday in effect reconfirmed Mr Alain Gomez as president of Thomson, the electronics group, making him the longest-serving current head of a French state-owned company.

However, Mr Gomez will have to accept Thomson-CSF's share in the operating losses and bad-debt provisions of Crédit Lyonnais, the state-controlled bank.

Thomson-CSF, the group's defence electronics arm, has a 21 per cent stake in the bank.

Mr Gomez is due to announce Thomson-CSF's 1993 results today. These have been delayed because Thomson-CSF has had to take its FFr1.4bn ($250bn) share of Crédit Lyonnais losses and assess what provisions to make to cover possible losses on the bank's property loans.

The latter have been hived off into a special company, with possible losses up to FFr12.3bn to be covered by the state, and thereafter by Thomson-CSF up to FFr1.8bn.

According to some reports yesterday, Thomson-CSF is to provide for its entire FFr1.8bn liability in its 1993 accounts.

This would increase its loss to FFr2.3bn and Thomson's group loss to FFr3bn.

Mr Gomez's willingness to let Thomson stand guarantee for Crédit Lyonnais's bad debts as well as to help absorb its loss is said to have induced Prime Minister Edouard Balladur to keep him on.

Mr Gomez has headed Thomson since 1982. To clarify the legal doubt over whether he could serve any longer, the government is passing a parliamentary amendment.

Yesterday the government renominated Mr Gomez to the Thomson board, and is expected shortly to make a Cabinet announcement extending his term as company president.

However, the industry and defence ministers want Mr Gomez, a socialist appointee, replaced, and may yet get their way if the group is privatised next year.

Mandarin Oriental may quit HK SE

The group will keep its Asian commitment, writes Michael Skapinker

The board of the Mandarin Oriental hotel group is likely this autumn to decide to stop trading its shares on the Hong Kong stock exchange.

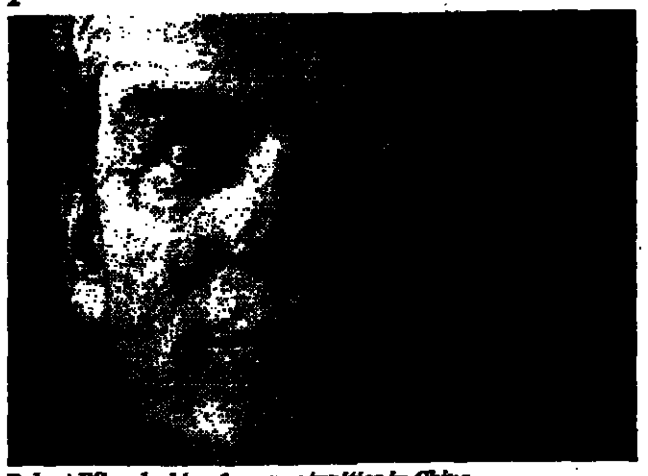
In May, the group took over the management of the Ritz in London, its first foray into Europe, and it is looking for other European hotels.

Mr Robert Riley, Mandarin Oriental managing director, insists that neither of these moves suggested the group was planning to reduce its commitment to Asia before China resumed sovereignty of Hong Kong in 1997.

Mandarin Oriental's headquarters will remain in Hong Kong after 1997, he says. While the group wants to expand in Europe and elsewhere, it expects the bulk of its business to remain in Asia. Mr Riley says he is looking for opportunities in China.

If, as seems probable, the group does delist its Hong Kong shares, it will merely be following the lead of Jardine Matheson, which owns 51.5 per cent of Mandarin Oriental.

Jardine announced in March it would cease trading its shares in Hong Kong at the end of this year. It had been unable to persuade the Hong Kong Securities and Futures Commission to give up its regulatory control, and allow Jardine to be supervised by the authorities in Bermuda, where it is incorporated.


Robert Riley: looking for opportunities in China

Mandarin Oriental is also incorporated in Bermuda, and, like Jardine, has its primary stock exchange listing in London.

Mr Riley says: "Jardine's statement said that they are familiar with the legislative process and tradition of Great Britain. We will have similar considerations. That doesn't have any impact on our commitment to Hong Kong, China and Asia."

Nevertheless, the group, founded in Hong Kong in 1963, is energetically expanding beyond its Asian base. It runs 10 hotels in Asia and one in San Francisco; it will operate a luxury hotel being developed in Mexico City; and the group would like other hotels in western European cities to complement the Ritz.

Mr Riley says, however, that there are limits to how much the group wants to expand outside Asia. It is not keen, for example, to run hotels in eastern Europe, because these would be too difficult to manage from Hong Kong.

He says: "We can tackle the emerging markets in Asia with more confidence than those in eastern Europe."

The group last year signed an agreement to help restore the Majapahit hotel, a historic property in Surabaya, Indonesia, which it will run when it reopens in 1995. It has also taken a 25 per cent interest in a new Mandarin Oriental in Kuala Lumpur, which is expected to open in 1997.

Despite its experience of the region, however, the Asian market, apart from Hong Kong, has not proved easy for Mandarin Oriental over the past few years. Group pre-tax profits last year were US$48m, slightly lower than the 1992 figure of $48.1m and well down on the $61.4m the group earned in 1989.

Hong Kong, where the group runs the Mandarin Oriental and the Excelsior, enjoyed an increase in room rates and occupancy. The group's performance in Hong Kong was boosted by an increase in visitors to the territory, while the supply of rooms remained static.

But strong competition elsewhere in Asia resulted in occupancy falling in Manila and Bangkok and although occupancy rose in Jakarta and Singapore, room rates fell.

Mr Riley says that there are signs of European and Japanese visitors coming back to Bangkok, although business has not returned to the level of four years ago.

The market in Singapore also appears to have stabilised and visitor numbers and likely to boosted by a new convention centre, which is due to opened there next year.

In Jakarta and Manila, however, the group still faces stiff competition, he says.

UK takeover rules face review

By Norma Cohen and David Wighton in London

Non-executive members of the Takeover Panel, the UK's independent body that supervises acquisitions, will press for a review of rules governing cash share purchases during hostile takeover bids. The move follows the controversial purchase of Lasmo shares during Enterprise Oil's failed bid for the oil exploration group.

"The question is whether an offeror making an all-paper bid should be allowed to buy 10 per cent of the target's equity for cash in the market. It is not clear that this is in the public interest," a panel member said. If the cash bid appears more attractive than the existing paper bid, it should not be allowed unless all shareholders have equal opportunity to take advantage of it, he said.

The call for the review was triggered by the activities of S. G. Warburg, brokers for Enterprise, which offered a few of Lasmo's largest shareholders the opportunity to sell their shares for cash in the last days of a hostile bid. It purchased just under the 10 per cent of the company allowed by the Takeover Code under such circumstances, but the bid failed by a wide margin.

However, the method of the share purchase was highly unusual in a takeover bid. Typically, the bidding company's broker will make a general cash offer for shares to the market and purchase them from tenderers on a pro-rata basis. Yesterday, the London Stock Exchange said it had received complaints about the deal, and that a committee would meet today to consider whether Warburg acted properly.

Swiss Bank Corporation is said to have been the complainant.

The complainant says under London Stock Exchange rules, its pre-existing limit orders lodged with Warburg's market-making arm to sell Lasmo shares to Enterprise should have been satisfied first.

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Hoechst to set up drugs joint venture in China

Hoechst, the German chemicals group, is to set up a pharmaceuticals joint venture with the North China Pharmaceuticals Corporation, Reuter reports from Frankfurt.

Hoechst said it would own 50 per cent of the venture which would have total capital of DM38m ($23.3m).

NCPC is one of China's largest pharmaceuticals producers. The venture will involve distribution and sale of medicines.

Hoechst said NCPC would market selected Hoechst products until the joint venture's projected drug production facilities come on line at the beginning of 1996.

INTERNATIONAL COMPANIES AND FINANCE

US computer network groups in $1.1bn link-up

By Martin Dickson in New York

Wellfleet Communications, the second-largest US manufacturer of routing devices to link computer networks, yesterday announced a $1.1bn merger with SynOptics Communications, a leading supplier of computer network switching and management systems.

The two described the deal as a "merger of equals" between companies sharing a common vision of open, standards-based network solutions. They claimed it would position them to move customers to a new generation of high-performance networks.

However, the news sent Wellfleet's shares down $3¾ to $21¾, while SynOptics dropped $⅝ to $15⅝ in morning trading in New York.

Under the deal, which the two companies hope to complete in October, SynOptics shareholders will receive 0.725 of a share of Wellfleet stock for each SynOptics share.

At yesterday's share prices, the deal values SynOptics at around $1.1bn.

Mr Paul Severino, president of Wellfleet, will become chairman of the combined group. Mr Andrew Ludwick, president and chief executive of SynOptics, will take on the same titles at the new business. There will be four additional members of the board, two from each company.

Mr Ludwick said the two companies had complementary technologies and products, while their manufacturing, service and support systems, customer base and channels were also compatible.

In conjunction with the merger announcement, the companies said they intended to develop an end-to-end, standards-based architecture. The key to this would be jointly-developed new products which combined both routing and switching technologies.

SynOptics had net profits last year of $94m on sales of more than $700m. Wellfleet had revenues of $323m in the 12 months to March.

New equity issuance in Canada falls 12.5%

By Robert Gibbens in Montreal

The value of new Canadian equity issued in North American markets in the first half of this year was C$12.37bn (US$8.92bn), down 12.5 per cent from C$13.95bn a year earlier, in spite of a surge in initial public offers early in the year.

The decline was blamed mainly on the sharp fall-off in new preferred stock issues, which dropped to C$723m from C$1.83bn a year earlier.

New equity issues reached a record C$25.4bn in 1993, and 1994 started out strongly, said the Financial Post DataGroup.

The first-quarter total was C$7.5bn, but rising interest rates and a faltering stock market led to a setback in the second quarter, for which the total was C$5.33bn.

IPOs were again the big factor during the first half of this year, led by a C$750m issue by Falconbridge, the nickel producer.

New issue activity is likely to remain slow until September, said Mr Fred Ketchen, director of equity trading at ScotiaMcLeod in Toronto.

"More volatile stock markets and higher interest rates tend to push investors towards fixed-income investments, and we expect the second half to trail the first half," said Ms Rocca d'Angelo, economist with the Investment Dealers' Association of Canada.

Cimpor float raises Es39.6bn despite gloom

By Peter Wise in Lisbon

A public offering of 20 per cent of Cimpor, Portugal's largest cement producer, was 4.8 per cent oversubscribed, officials said yesterday. The privatisation on the Lisbon stock exchange raised Es39.61bn ($241m).

Employees and small savers bought 33 per cent of the 14m shares on offer, at discounted prices of Es2,600 and Es2,700 respectively. The fixed price for other investors was Es2,900. Foreign investors purchased 32 per cent of the offer.

"The operation was a success for the government, considering the depressed condition of the market," said a Lisbon stockbroker. "But an oversubscription of only 4.8 per cent is not enough to create an active after market in Cimpor shares."

Lisbon market analysts said the interest from foreign investors was below expectations. They attributed this partly to the gloomy climate of world stock markets, and to the early pricing of the Cimpor offer.

"Since the price of the Cimpor operation was fixed two months ago, the Portuguese market has fallen 15 per cent," said a Lisbon dealer. "Pricing the offer two or three days before the sale would have ensured that the price reflected market conditions."

However, the government was successful in attracting small investors to the first offering to embody its recently-revived policy of advancing "popular capitalism". Its aim is to disperse the capital of privatised companies and stimulate stock market activity.

Cimpor now has 14,138 private shareholders, of which 246 are foreign. Employees own 0.94 per cent of the company's total capital, while small investors hold 5.66 per cent.

A further 20 to 25 per cent is to be sold on foreign stock exchanges later this year, followed by the privatisation of another 20 to 30 per cent in Portugal in 1995.

NEWS DIGEST

Swiss group sells plant

Grupo Cementos de Chihuahua has bought a cement manufacturing plant in Tijeras, New Mexico from Holnam, a unit of Holderbank, the Swiss-based cement and aggregates group, for $42m, AP-DJ reports from Mexico City.

Cementos de Chihuahua said the plant would be paid for partly by cash, partly by long-term credit.

The purchase includes a plant that produces Portland cement with production capacity of 500,000 metric tonnes annually. The plant includes "raw material reserves which should last for more than half a century." The cement facility, including the quarry, covers 253 acres, about 20 miles east of Albuquerque, New Mexico.

Cimo purchase close

ABN Amro will finalise its purchase of Milan stockbroker Cimo this week and said it would take majority control in September, Reuter reports from Amsterdam.

The Dutch bank agreed in principle in March to buy a stake in Cimo, part of a strategy to expand capital market activities in Italy.

Cimo, an important broker in Italian equity and fixed income markets, has 70 staff.

Steel unit venture

Wheeling Pittsburgh's steel unit has signed a letter of intent for a 50-50 joint venture with Ispat Group, part of the Mexico-based steel manufacturer Ispat Mexicana, AP-DJ reports from New York.

The venture will purchase steel slabs from Ispat Group. Wheeling-Pittsburgh Steel will convert these into finished hot-rolled products.

Barclays quits Virgin Islands

Barclays Bank has withdrawn from the US Virgin Islands, selling the bulk of its business to Bank of Nova Scotia, writes Bernard Simon.

Terms were not disclosed, but Scotiabank said yesterday the deposit liabilities and loan portfolio it had bought each amounted to about US$100m. The deal also includes a Barclays branch in St Thomas.

Scotiabank now has four branches in St Thomas and four in St Croix, as part of an extensive presence in the Caribbean.

Mercer boosts paper assets in Germany

By Bernard Simon in Toronto

Mercer International, a diversified Vancouver-based group, has bought Germany's Zellstoff und Papierfabrik Rosenthal (ZPR), whose main asset is a large pulp mill in Thuringia, eastern Germany.

The mill, upgraded in 1992 to produce chlorine-free sulphite pulp, has a capacity of 160,000 tons a year. ZPR's sales were US$54m last year.

Mercer will pay the Treuhand, the agency in charge of privatising businesses in eastern Germany, a nominal price. It will provide a $12m loan to ZPR, which has agreed to employ at least 350 people and spend $45m on capital improvements over the next five years.

The outlays will be financed mainly by German government incentive programmes.

As part of the privatisation agreement, the Treuhand and other German agencies will also forgive ZPR's $76m debt, provide cash grants of $43.7m, and pay $12m to indemnify the company from environmental liabilities.

Mercer late last year bought six paper recycling plants in the Dresden area from the Treuhand. The plants augment its used paper supplies with pulp from the ZPR mill.

The Canadian company has its origins in a North American property trust, whose assets were sold to generate funds for other investments.

Besides the German paper interests, it owns an iron ore mine in the Labrador region, and a Toronto-based insurance company. It is controlled by the family of Mr Jimmy Lee, chairman and chief executive.

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 12 July 1994

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 12 July 1994. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange Equalization Account.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 14 July 1994 and will be in the following maturities:

ECU 200 million for maturity on 11 August 1994
ECU 500 million for maturity on 13 October 1994
ECU 300 million for maturity on 12 January 1995

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 12 July 1994. Payment for Bills allotted will be due on Thursday, 14 July 1994.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with ESO, Euroclear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 14 July 1994 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England for the account of the Exchange Equalization Account will be for maturity on 12 January 1995. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
5 July 1994

Gencor delays announcement of Shell mines deal

By Kenneth Gooding, Mining Correspondent

Gencor, the South African mining and metals group, has postponed the announcement, planned for yesterday, of details of its long-awaited US$1bn deal to buy the Royal Dutch/Shell group's mining and metals operations.

However, Mr Bernard Smith, Gencor's new business director who has been leading the team negotiating with Shell, was quick to assure the market that the talks were still on course. "We still have some issues to settle but none is substantive at this state. The heart of the deal is concluded."

Mr Smith insisted an announcement was only days away.

Meanwhile, it emerged yesterday that Gencor had raised about US$200m towards the deal from the sale of its stake in Transatlantic Holdings, the London-listed life insurance and property group owned by Liberty Life of South Africa. Gencor owned 8.4 per cent of Transatlantic, including its holding of convertible shares.

The South African group has arranged to raise more money for the acquisition from a consortium of European banks.

Gencor shed its non-mining and metals businesses in South Africa when it unbundled its assets there last November. The deal with Shell, to buy assets mostly under the Billiton banner, is intended to make Gencor an important force in international mining.

Gencor originally intended to acquire the Billiton assets – which, when the deal was first proposed a year ago, were worth about US$1.8bn – and merge them with its own operations outside South Africa as well as its R1.5bn ($417m), 50 per cent stake in Richards Bay Minerals in South Africa. The combined group would then have been floated in London. Gencor was considering partners to help finance the deal.

In the past year, Shell has decided to sell some of its mining operations separately – which will reduce the value of the deal. There were suggestions yesterday that Shell might retain a minority stake in Billiton.

However, difficulties have apparently arisen over the transfer of the Richards Bay stake from South Africa to the new company.

MRCB wins go-ahead for $1bn rail project

By Christine Hill in Kuala Lumpur

Malaysian Resources Corp (MRCB), a Malaysian conglomerate involved mainly in the property, media, and power sectors, has been given the go-ahead to develop the country's Brickfield's Central Station Project, an investment thought to be worth about US$1bn.

The deal will give MRCB rights to develop land, currently state-owned, in an undeveloped area of Kuala Lumpur. The project will include a railway terminal, airport shuttle services, a terminal for light rail transit, and bus and taxi connections. Offices, retail space and hotels are also planned.

Financial details are subject to further negotiation between the government and MRCB, which has close ties with Malaysia's deputy prime minister and finance minister, Mr Anwar Ibrahim.

Analysts were pleased to see progress in the government's privatisation programme.

They said that privatisations have been delayed by two to three months by infighting between Mr Anwar and his influential predecessor, Tun Daim Zainuddin.

However, some were concerned about the lack of any publicly available blueprint for the capital's transport system, and questioned whether there was any co-ordination among the private transport projects.

Shares in MRCB, which has a market capitalisation of M$2.4bn, closed the day 8 cents higher at M$4.80 in moderate trading.

Newcrest to accept courts' rights finding

By Nikki Tait in Sydney

Newcrest Mining, the Australian goldminer, has decided not to launch an appeal against a decision in the Western Australian courts, which declared that it did not have pre-emptive rights over shares in the Boddington gold mine.

The question had arisen because Reynolds Metals wished to sell its 40 per cent interest in the mine to Poseidon Gold, part of Mr Robert Champion de Crespigny's Normandy Poseidon group.

Newcrest, which holds a 20 per cent interest in the mine, said that it believed "there are reasonable prospects that the decision may have been overturned on appeal", but that "such a result is not beyond doubt". It said that the decision not to appeal was "the reasonable and pragmatic decision to take in light of all the circumstances".

Newcrest's decision was welcomed by PosGold, which said that the Reynolds purchase would be completed soon.

Wine industry with growing pains

One of Australia's top export sectors is coming of age, writes Nikki Tait

Draw up a list of high-growth businesses in Australia, and the country's wine export industry would be close to the top. But anyone who imagines that this results in unfurrowed brows and bucolic relaxation in prime wine-growing districts, such as South Australia's Barrossa Valley or New South Wales's Hunter region, would be mistaken.

The industry is young – at least in international terms – and beset with growing pains. It has ambitious growth targets, most notably a tripling of export sales to about A$1bn (US$735m) by the turn of the century.

But if the industry is to meet these objectives, it needs to achieve a sharp expansion in grape supply and processing capacity, which requires investment dollars.

This, in turn, has prompted a restructuring. On the one hand, several Australian wine companies have headed to the stock market, bolstering their capital through share issues and flotations. In just two years, a meaningful quoted wine sector has been created, comprising nine companies and with a total capitalisation (including Southcorp, which also has non-wine interests) of A$2bn.

On the other hand, there has been steady concentration within the industry and a large amount of foreign investment. France's Pernod-Ricard, for example, controls the Orlando Wyndham group, and Moët has a winery in Victoria.

Few analysts think that these trends will abate.

"We foresee winery ownership and control of output…becoming increasingly concentrated," commented Ms Kiera Grant, at Hambros Equities, in a recent industry review.

"A majority of the existing, small inefficient wineries will struggle to return to a profit [and] will be replaced by larger, highly capitalised, strongly integrated and highly technical companies, whose commercial focus will be evenly divided between domestic and overseas markets," the review concluded.

This coming-of-age process can be traced back to the mid-1980s. Wine-growing in Australia is almost as old as European settlement – the first grapevines were planted in in 1788 – but it was only a decade ago that the industry discovered the export market.

This happened almost by chance, at a time when Australian wineries were looking to overload surplus stocks. The quality of the Australian produce, its relative value (due in part to the then-sickly Australian dollar), and some perceived problems within the European wineries, caused exports to markets such as Scandinavia and the UK to take off – and they have increased ever since. In 1985-86, Australian wine exports totalled 10.8m litres. By 1992-93, they had risen ten-fold, to 102.8m litres.

This sharp overseas growth has helped to offset a flat domestic market. Back home, wine sales struggled to reach 312m litres in 1992-93, a slight reduction on the 325m litres seen seven years earlier.

The downturn, more marked in per capita terms, has generally been attributed to heightened drink-driving concerns and rising health awareness. A tendency among Australian consumers to move upmarket, buying smaller quantities of higher-quality wines, may have exacerbated the trend.

The bullish point for the wine companies is that this expansion in non-domestic sales shows little sign of flattening out. In 1993, exports increased 42 per cent in volume terms, to 124.8m litres, and by 36.5 per cent in value, to A$357.1m.

The UK and New Zealand were the strongest contributors to this growth, although sales to the US and Canada also rose markedly. Japan, by contrast, remains far less satisfactory. Australian wines are still dogged by an image problem and the industry is rethinking its marketing approach.

Some wine makers warn that the disappointing 1993 vintage may lead to a temporary dip in exports later this year, but say that the current year's healthy results should then put the industry back on track.

If the A$1bn export target is met, strong sales in the UK and North America will probably need to be augmented by increased demand from continental Europe.

That may be helped by a deal between Brussels and Canberra earlier this year, in which Australia agreed to stop using European wine names – such as Champagne or Chablis – provided the European Union recognised Australian wine techniques.

However, even in the most promising markets, managing this growth looks likely to be a delicate task. Australian wines tend to sell strongly in lower price categories, as a good-value, workaday product.

This leaves the industry vulnerable to new competition and price pressures – for example, too much appreciation in the Australian dollar.

That will make it doubly difficult to ensure that supply balances demand. It has been estimated that if the A$1bn export target is to be met by the turn of the century, Australian wineries will have to produce an additional 186m litres.

This would require about 250,000 tonnes of premium grapes, or about 14,000 hectares of additional planted land. Those plantings would need to occur in the next three years, to ensure continuity of supply by 2000.

No one is complacent: "I'm not relaxed, and there is a debate going on, but it doesn't look too bad at the moment," says Mr Paul Van Der Lee, at the Winemakers Federation of Australia.

He points to recent statistics which show that the leading industry players plan to plant more than 2,000 hectares in 1994, and almost 1,900 hectares in 1995.

Mr Van Der Lee also makes the point that if Australian wines can manage "an evolution towards the higher price segment", the A$1bn target could be met by an increase in export values, not just volume.

At least some of Australia's larger wine companies are in the throes of heavy investment programmes which are partly designed to ensure that reliance on grape supply contracts – that is, buying in the grapes from independent growers – does not increase.

Mildura Blass, for example, is spending about A$80m on new vineyard development. Southcorp, which takes in the Penfolds and Lindemans labels and sources about 40 per cent of its grape supply internally, has allocated A$100m over about four years to fund expansion. About A$60m will go on vineyards and the remainder on augmenting production facilities.

With plans like these, it seems that access to investors' funds can only become more important – and that the quoted wine sector, like the industry, is set to grow.

Australia's quoted wine sector

	Flotation date	Market cap. (A$m)
Australian Vintage	1994	9.3
Simeon Wines*	1994	25.25
Petaluma	1993	27.6
Peter Lehman	1993	13.04
Brian McGuigan Wines	1992	15.31
BRL Hardy	1992	194.53
Coldstream	**1992	11.9
Rothbury Wines	1992	32.6
Mildura Blass	1986	268.9
Southcorp	***	1,528.8

*Floated by Orlando Wyndham, which retains minority stake
**ASX listing
***Formerly SA Brewing: brewing interests sold in 1993, but still retains packaging and appliance manufacturing divisions

Taiwan banks report strong half-year gains

By Laura Tyson in Taipei

Taiwan's six listed medium-business banks have posted strong half-year pre-tax profits.

The three largest of these – Taipei Business Bank, Hsinchu Business Bank and Taitung Business Bank – saw pre-tax profits for the half-year to June 30 rise to T$1.47bn (US$54.8m), T$1.36bn and T$1.07bn respectively. This represents gains of 38.3 per cent, 25.8 per cent and 14.3 per cent respectively during the first six months.

The banks, founded as credit unions backed by local families to finance small and medium-sized businesses, are restricted to particular districts. However, once they meet certain criteria, they will be allowed to convert in order to become nationwide banks.

Optus confirms flotation plans

Optus, the Australian telecommunications group which was set up as a competitor to the government-owned Telecom, confirmed yesterday that it planned to float on the Australian Stock Exchange next year, writes Nikki Tait.

The company said it had appointed County NatWest Corporate Finance to act as its financial adviser on the flotation process, and the two joint lead managers would be County NatWest Securities and Potter Warburg/ABN Amro Hoare Govett.

Optus, which was licensed as the second telecoms carrier in early 1992, is owned by a consortium of international investors, including BellSouth of the US and Cable & Wireless of the UK. Australia's Mayne Nickless and a number of Australian institutional investors also have stakes.

Mr Kerry Packer's Nine Network recently announced that it would become an investor in Optus, acquiring a 15 per cent stake.

Optus said yesterday that further aspects of the float would be determined later this year.

NEWS IN BRIEF

Accor Asia Pacific seeks HK quote

AAPC, the Australian-listed hotel management company which is better-known as Accor Asia Pacific, is applying for a secondary listing on the Hong Kong stock exchange in an effort "to emphasise a growing presence in Asia", writes Nikki Tait.

The group has placed 5m shares with institutional investors at A$0.98 or HK$5.50 a share.

However, the placing will only go ahead if the secondary listing is granted by the Hong Kong authorities.

Nokia completes NYSE listing

Nokia, the telecommunications group, has become the first Finnish company to be listed on the New York Stock Exchange, following the completion of its 5.25m global share offering, arranged by CS First Boston, writes Tracy Corrigan in London.

About 70 per cent of the shares were sold in the US, in the form of American depository shares (with two ADSs per share).

The shares were priced at FM432 per preferred share on Friday, which corresponded with the closing price in Helsinki. Each ADS was priced at $40⅝.

INTERNATIONAL CAPITAL MARKETS

Treasuries little changed ahead of Fed meeting

By Patrick Harverson in New York and Graham Bowley in London

US Treasury prices were little changed yesterday morning as dealers and investors waited on the sidelines for the results of the Federal Reserve's open market committee meeting.

By midday, the benchmark 30-year government bond was up 1/32 at 84¼, yielding 7.594 per cent. The two-year note was also slightly firmer, up 1/32 at 99¾, to yield 6.118 per cent.

The market reopened after the July 4 holiday with all eyes on the Fed. The recent fall in the dollar has put pressure on the central bank to take action to protect the US currency, and some analysts were predicting that the FOMC would decide at its meeting to raise interest rates.

Nervousness about such an outcome was behind an early retreat in bond prices, but the losses were modest and by the end of the morning Treasuries had returned to positive territory. The stability of the dollar also helped the recovery.

The consensus on Wall Street remains that the FOMC will not change its stance on monetary policy just because of the dollar. If, however, the June employment report, due to be released on Friday, shows further strengthening in the economy, analysts say the Fed might decide to raise rates again to slow the pace of growth.

■ European government bond markets fell back yesterday in thin, nervous trade as investors waited for the outcome of the FOMC meeting.

Remarks by officials that there would be no move by the Group of Seven leading industrial nations to support the weak US dollar at their weekend meeting also put downward pressure on markets.

"Most investors are sidelined, looking for some reassurance that US rates are not moving upwards too far and

GOVERNMENT BONDS

too quickly and that rates in Europe are still on a downward course," said Mr Neil Williams of UBS. "If no signal has come by Monday, after the G7 summit, then there is likely to be a short-term correction downwards," he said.

Mr Jouni Kokko, international economist at S.G. Warburg, said: "The markets are lower on the prospect of renewed turbulence in the currency markets, if the G7 do nothing to solve the dollar's problems."

■ UK gilts recovered most of their earlier losses yesterday, largely in relief that no policy statement on interest rates had emerged from the US.

Gilts had fallen sharply in early trade in line with the rest of Europe.

They were unaffected by data showing a rise in house prices in June following two months of decline. They also shrugged off comments from Mr Kenneth Clarke, chancellor of the exchequer, made at a parliamentary select committee hearing on the Treasury's summer forecast.

"Mr Clarke saying that there was no specific growth figure which would cause him to raise rates could have steepened the yield curve, but had little effect with nervousness about the US dominating," said Mr Mark Reckless, economist at S.G. Warburg.

The September long gilt future on Liffe was unchanged on the day at 100 5/32 in late trading.

■ Attention today will be focused on the setting of rates for the Bundesbank's securities repurchase tender tomorrow.

"Anything less than a four to five basis point cut in the repo rate will be a disappointment and will indicate a slowing in the pace of rate cuts," said one analyst.

The German September government bond contract on Liffe was down 0.23 points at 91.90 in late trading. The September notional French bond futures contract on Matif closed at 114.2, down 0.9 points on the day.

■ Follow-through buying in the wake of Monday's successful bond auction caused a short-lived rally yesterday in Swedish government bonds.

But prices fell back after the meeting between Mrs Anne Wibble, the finance minister, and Mr Goran Persson, economic spokesman for the opposition Social Democrat party, ended without any concrete proposals or agreements on limiting the growth of public sector debt.

"Underlying sentiment in the bond market remains fragile," said Mr Kokko. Analysts said one of the main reasons why the auction was so successful was that foreign investors were attracted by the weakness of the Swedish krona and the high bond yields. They doubted how long these investors would remain in the Swedish market.

Thailand acts to tighten rules on share offerings

By Victor Mallet in Bangkok

Thailand's Securities and Exchange Commission yesterday announced new rules governing initial public offerings of stock, in an attempt to broaden share ownership and end corrupt deals involving underpriced shares in newly-listed companies.

The new regulations, which come into effect on Friday, require companies making IPOs to offer at least 30 per cent of the new stock to small investors; in the event of over-subscription, these shares must be allocated randomly by computer.

Underwriters are allowed to allocate a further 60 per cent of the offer to their clients and other buyers, provided that the method of distribution has been disclosed in the prospectus.

The SEC said owners and managers of the company cannot receive allocations from this tranche, but ordinary employees can.

The company itself can allocate the remaining 10 per cent of the stock on offer, but again the owners and managers are excluded.

Foreign stockbrokers generally welcomed the new SEC regulations. "If they can enforce it, it will be really quite useful," said one Bangkok-based broker.

Until now, there have been no rules in Thailand about the distribution of shares from IPOs. It has been common practice for company executives to enrich themselves and buy favours from politicians and civil servants by allocating shares at low prices.

"They would price it at a huge discount, only sell a very small part of the company and then make sure it all went to themselves and their friends," the broker said.

After an IPO of a Thai company, a few shareholders would often control the market in the shares and force the price up before selling their holdings at a large profit.

"There have been a great deal of complaints that small investors can't get their hands on IPOs," Mr Rapee Sucharitakul, SEC spokesman, said yesterday.

"The real objective [of the new rules] is to have a fairer distribution of shares," he added.

The two-year-old Thai SEC suffered a setback last month when a court acquitted Mr Song Watcharasriroj – known as Sia ("tycoon") Song – and 11 others of acting in concert to ramp the share price of Bangkok Bank of Commerce, but it is continuing its efforts to improve regulation of the lively Thai stock exchange.

The SEC said yesterday that it was drawing up rules similar to those governing the banking sector to ensure that securities companies had sufficient net capital to do business safely.

● Sahaviriya Steel Industry is likely to be the first IPO to be affected, AP-DJ adds from Bangkok. The company, a subsidiary of the Sahaviriya group, is due to issue shares around July 18.

To meet the definition of "small-scale" under the rules, investors cannot buy more than Bt500,000 worth of an IPO with a total value of Bt1bn.

For issues worth up to Bt2bn, the limit is Bt1m and for issues larger than Bt2bn, the limit is Bt2m, the SEC said.

Activity dominated by clutch of dollar-denominated issues

By Tracy Corrigan

A clutch of dollar bond offerings dominated market activity yesterday. Two short-dated offerings, for Sweden and Rabobank, were mainly aimed at retail investors. Dealers said the short end of the market was beginning to suffer under the heavy weight of recent supply.

The Kingdom of Sweden's $300m offering of 6¼ per cent two-year bonds, via Nomura and Swiss Bank Corporation, met the better reception of the two deals.

The issue appeared unaffected by concerns which hit the Swedish government bond market at the end of last week, when Skandia, the Swedish insurance company, said it would boycott government bonds because of concern about the handling of the country's debt problems.

The deal was launched at 15¼ basis points over the comparable Treasury and, by the end of the day, was bid at 17 basis points over the curve.

INTERNATIONAL BONDS

The deal for Rabobank, despite its triple-A rating and the strong attraction of the name in the Benelux region, is likely to take longer to sell, dealers said. The pricing of 8 basis points over the three-year Treasury yield was considered aggressive.

However, lead manager Swiss Bank Corporation pointed out that Rabobank deals launched earlier this year are yielding substantially less than US Treasuries.

In the sterling market, Australia and New Zealand Banking Group launched a £200m offering of three-year floating-rate notes, via UBS. Although there have been a number of floating-rate mortgage-backed securities in the market recently, there has been little bank FRN paper on offer in the sterling market.

The deal was priced to offer a discounted margin of 15 basis points over Libor. The bank had considered issuing in dollars, but switched to sterling due to the heavy competition in the dollar sector, with Italy's global due next week.

Also in the sterling market, NatWest Capital Markets arranged a repackaging of existing housing association debentures, issued last year in the domestic market. The £104m issue, for Guaranteed Enhanced Secured Bonds, was guaranteed by Ambac Indemnity Corporation, the US monoline insurer.

● National Grid has exercised its pre-emption rights to repurchase the two bond issues included in the sale of UK privatised companies' debt by the government, due to take place on July 18, Salomon Brothers announced yesterday.

The two bonds are National Grid's £150m issue of 12.958 per cent bonds due 1997 and its £150m issue of 11.437 per cent bonds due 2008.

Total proceeds to be received by the UK Treasury are £343.42m.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kingdom of Sweden	300	6.25	99.675R	Aug.1996	0.125R	+15½ (6%-96)	Nomura/ Swiss Bank Corp.
Rabobank Nederland	250	6.50	99.563R	Aug.1997	0.1875R	+8 (6½%-97)	Swiss Bank Corp.
BNL, Hong Kong Branch(a)‡	100	(a1)	99.725R	Jul.1999	0.25R	-	Citibank International
Lonrho Finance‡	100	(b)	99.54R	Jul.1997	0.875R	-	Nomura International
YEN							
Province of British Colombia	10bn	3.40	100.0675	Aug.1997	0.1875	-	Merrill Lynch International
Province of British Colombia	10bn	3.25	100.00	Aug.1997	undiscl.	-	JP Morgan Securities
Province of British Colombia	10bn	3.20	100.00	Jul.1997	undiscl.	-	JP Morgan Securities
Treasury Corp. of Victoria(s)	5bn	3.00	100.1675	Dec.1998	0.1675	-	Merrill Lynch International
STERLING							
ANZ Banking Group(c)‡	200	(c1)	99.93R	Jul.1997	0.15R	-	UBS
CANADIAN DOLLARS							
DSL Finance	125	9.125	99.761	Aug.1996	0.225R	+20 (d)	Paribas Capital Markets
SWISS FRANCS							
Sari Corp.(e)★★§	70	0.125#	100.00	Sep.1996	-	-	Nomura Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★★Private placement. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Amortising in 5 equal instalments. Average life: 3 yrs. a1) 3-mth Libor +37½bp. b) 3-mth Libor +1¼%. c) Callable on coupon dates from Jul.96 at par. c1) 3-mth Libor +⅛%. d) Over interpolated yield. e) Fixing: 12/7/94. Conv price refixing Sep.96. Callable on 30/6/96 at 102% falling ½%sa. Callable, subject to 135% rule, on 31/3/95 at 101¾% falling ¼%sa. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	95.4600	-0.300	9.71	9.76	8.64
Belgium		7.250	04/04	94.6000	-0.580	8.06	7.90	7.98
Canada *		8.500	06/04	92.2500	+0.150	9.26	9.37	8.59
Denmark		7.000	12/04	89.7500	-0.050	8.51	8.22	8.05
France	BTAN	8.000	05/98	103.4400	-0.300	6.90	6.68	6.68
	OAT	5.500	04/04	85.5900	-0.540	7.64	7.38	7.40
Germany Treuhand		6.750	05/04	97.5700	-0.350	7.10	6.96	7.02
Italy		8.500	01/04	86.1200	-0.030	10.51†	10.23	9.96
Japan	No 119	4.800	06/99	104.9190	-0.490	3.63	3.57	3.59
	No 164	4.100	12/03	96.1280	-0.860	4.38	4.24	4.39
Netherlands		5.750	01/04	90.6400	-0.520	7.13	7.04	7.10
Spain		8.000	05/04	82.3500	-1.050	11.01	10.50	10.02
UK Gilts		6.000	08/99	90-23	-1/32	8.27	8.38	8.13
		6.750	11/04	87-14	-4/32	8.60	8.50	8.50
		9.000	10/08	103-01	-5/32	8.62	8.58	8.54
US Treasury *		7.250	05/04	99-18	+3/32	7.31	7.26	6.94
		6.250	08/23	84-08	-	7.61	7.54	7.25
ECU (French Govt)		6.000	04/04	85.7300	-0.790	8.17	7.87	7.91

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

Prime rate	7¼	One month	3.99	Two year	6.17
Broker loan rate	5½	Two month	4.22	Three year	6.48
Fed.funds	4¼	Three month	4.32	Five year	6.98
Fed.funds at intervention	-	Six month	4.85	10-year	7.34
		One year	5.51	30-year	7.64

(Treasury Bills and Bond Yields)

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	115.14	114.20	-0.90	115.16	114.02	183,759	126,577
Dec	114.34	113.32	-0.90	114.34	113.36	624	12,003
Mar	113.60	112.58	-0.90	113.60	112.60	152	1,728

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
114	1.76	2.28	-	1.51	2.12	-
115	1.20	1.78	-	2.01	2.60	-
116	0.80	1.28	1.64	-	3.01	-
117	0.44	0.85	-	-	3.72	-
118	0.22	0.54	-	3.99	4.32	-

Est. vol. total, Calls 37,190 Puts 61,835 . Previous day's open int., Calls 319,361 Puts 336,664.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.15	91.76	-0.37	92.43	91.41	122011	139763
Dec	91.60	91.09	-0.34	91.60	90.83	1819	7624

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
9150	1.10	1.65	1.50	1.78	0.84	1.39	1.91	2.19
9200	0.83	1.37	1.28	1.56	1.07	1.61	2.19	2.47
9250	0.61	1.11	1.09	1.34	1.35	1.85	2.50	2.75

Est. vol. total, Calls 16793 Puts 16813. Previous day's open int., Calls 244487 Puts 222908

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	97.43	-0.06	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	103.65	102.81	-0.59	103.75	102.08	36763	57713
Dec	-	101.76	-0.59	-	-	0	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10250	2.48	3.22	2.17	3.96
10300	2.21	3.00	2.40	4.24
10350	1.96	2.79	2.65	4.53

Est. vol. total, Calls 1474 Puts 333. Previous day's open int., Calls 23369 Puts 25452

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	88.45	87.14	-1.20	88.45	86.70	58.305	103,364
Dec	-	90.15	-	-	-	-	4

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100-17	100-05	-0-04	100-18	99-14	45657	106803
Dec	-	99-05	-0-04	-	-	0	411

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
100	2-12	2-58	2-02	3-48
101	1-44	2-31	2-34	4-21
102	1-17	2-07	3-07	4-61

Est. vol. total, Calls 6806 Puts 1045. Previous day's open int., Calls 60582 Puts 50823

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	83.04	82.24	-0.80	83.04	82.10	1,169	5,957
Dec	-	81.60	-0.80	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	101-13	101-04	-0.07	101-16	101-02	429,244	360,466
Dec	100-20	100-12	-0.06	100-20	100-09	4,562	49,486
Mar	99-28	99-22	-0.06	99-28	99-21	121	3,868

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	108.74	-	-	109.00	108.61	2128	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jul 5	Day's change %	Mon Jul 4	Accrued interest	xd adj. ytd		Low coupon yield Jul 5	Jul 4	Yr. ago	Medium coupon yield Jul 5	Jul 4	Yr. ago	High coupon yield Jul 5	Jul 4	Yr. ago
1 Up to 5 years (24)	121.14	.....	121.14	1.84	5.82	5 yrs	8.36	8.35	6.78	8.54	8.53	6.94	8.63	8.61	7.13
2 5-15 years (22)	139.25	-0.12	139.41	2.09	6.71	15 yrs	8.54	8.51	7.87	8.69	8.66	7.96	8.96	8.93	8.20
3 Over 15 years (9)	155.47	-0.19	155.77	1.99	6.57	20 yrs	8.50	8.46	8.01	8.68	8.66	8.07	8.78	8.75	8.24
4 Irredeemables (6)	174.96	-0.80	176.37	1.40	7.38	Irred.†	8.62	8.54	8.15						
5 All stocks (61)	137.09	-0.10	137.23	2.00	6.43										

Index-linked							Inflation 5% Jul 5	Jul 4	Yr. ago	Inflation 10% Jul 5	Jul 4	Yr. ago
6 Up to 5 years (2)	186.26	-0.06	186.37	1.30	2.53	Up to 5 yrs	3.65	3.62	2.88	2.84	2.81	2.14
7 Over 5 years (11)	170.51	-0.10	170.69	0.81	2.65	Over 5 yrs	3.95	3.94	3.50	3.77	3.76	3.33
8 All stocks (13)	171.26	-0.10	171.43	0.85	2.63							

Debentures and Loans						5 year yield Jul 5	Jul 4	Yr. ago	15 year yield Jul 5	Jul 4	Yr. ago	25 year yield Jul 5	Jul 4	Yr. ago
9 Debs & Loans (76)	126.86	-0.58	127.60	2.27	5.84	9.77	9.69	8.52	9.70	9.62	8.92	9.63	9.56	9.09

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	July 5	July 4	July 1	June 30	June 29	Yr ago	High*	Low*
Govt. Secs. (UK)	91.78	91.99	91.61	91.57	92.47	97.90	107.04	90.99
Fixed Interest	109.26	109.25	109.14	109.56	109.85	115.90	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	July 4	July 1	June 30	June 29	June 28
Gilt Edged bargains	73.0	89.0	91.0	120.2	98.3
5-day average	94.3	99.3	98.8	97.0	91.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 5

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91	91¼		7.95
Alberta Province 7⅞ 98	1000	101	101¼	+⅛	7.33
Austria 8½ 00	400	104¾	105	+⅛	7.41
Bank of Tokyo 8⅜ 96	100	102⅝	103⅛	+⅛	6.69
Belgium 5½ 03	1000	84⅝	84⅞	-⅛	7.88
BFCE 7¼ 97	150	102	102½		6.88
British Gas 0 21	1500	10⅜	10⅝	-⅛	8.64
Canada 9 96	1000	103⅞	104¼	-⅛	6.40
Cheung Kong Fin 8½ 98	500	89⅞	90⅝		8.43
China 6½ 04	1000	86⅛	86⅞		8.80
Council Europe 8 98	100	102½	103	-⅛	6.66
Credit Foncier 9½ 99	300	109⅛	109½		7.35
Denmark 5¾ 98	1000	96¼	96½	+⅛	6.94
East Japan Railway 6⅝ 04	600	91	91¼		7.99
ECSC 8¼ 96	193	103¼	103⅝		6.77
EEC 8¼ 96	100	103	103⅜	+⅛	6.58
EIB 7¼ 98	250	102⅛	102⅝		6.59
EIB 9¼ 97	1000	106⅝	106⅞		6.95
Elec de France 9 98	200	105⅝	106¼	+⅛	7.19
Eurofima 9¼ 96	100	104⅛	104⅝	-⅛	6.65
Ex-Im Bank Japan 8 02	500	101½	101⅞		7.73
Export Dev Corp 9½ 98	150	107½	107⅞		7.28
Finland 6¾ 97	3000	99⅜	99⅝		7.08
Finnish Export 9⅜ 95	200	103⅝	103⅞		6.36
Ford Motor Credit 6¼ 98	1500	96¾	97⅛		7.41
Gen Elec Capital 9⅜ 96	300	104¾	105⅛		6.66
GMAC 9⅛ 96	200	103¼	103¾		6.96
Ind Bk Japan Fin 7⅞ 97	200	101¾	102⅛	+⅛	7.14
Inter Amer Dev 7⅝ 96	200	101⅞	102¼		6.65
Italy 6⅞ 23	3500	81⅛	81½	-⅛	8.84
Japan Dev Bk 8⅜ 01	500	103⅝	104	-⅛	7.64
Kansai Elec Pwr 10 96	350	105⅞	105¾		6.59
Korea Elec Power 6⅜ 03	1350	85½	86⅛	-⅛	8.85
LTCB Fin 8 97	200	101⅞	102½		7.13
Matsushita Elec 7¼ 02	1000	96½	96⅞		8.00
Nippon Cred Bk 10⅞ 95	150	103½	103¾		6.67
Norway 7¼ 97	1000	101⅛	101⅜		6.77
Ontario 7⅜ 03	3000	96½	96¾	-⅛	8.10
Oster Kontrollbank 8½ 01	200	104½	104⅞		7.60
Petro-Canada 7¼ 96	200	101	101⅝	-⅛	6.64
Portugal 5¾ 03	1000	86	86¼	-⅛	8.07
Quebec Hydro 9¾ 98	150	107¼	107¾	-⅛	7.66
Quebec Prov 9 98	200	104⅝	105¼	+⅛	7.52
Sainsbury 8⅜ 98	150	104⅜	104¾		6.92
SAS 10 99	200	106¾	107⅛	+⅛	8.30
SNCF 9½ 98	150	107⅝	108		7.25
Spain 6½ 99	1500	96⅛	96⅜		7.41
State Bk NSW 8½ 96	200	103	103½	+⅛	6.83
Sweden 6½ 95	2000	99⅛	99¼		6.14
Swedish Export 8⅜ 98	700	103	103¼		6.49
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7⅛ 97	5500	102⅛	102¼		6.38
Volkswagen Intl Fin 7 03	1000	97	97⅜	-¼	7.47
World Bank 0 15	2000	20½	20½	+⅛	7.73
World Bank 5⅞ 03	[illegible]				
World Bank 8¾ 00	[illegible]				
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	[illegible]				
Austria 4½ 00	[illegible]				
Council Europe 4¾ 9[illegible]	[illegible]				
Denmark 4¼ 99	[illegible]				
EIB 6¼ 04	[illegible]				
Elec de France 7¼ 0[illegible]	[illegible]				
Finland 7¼ 99	[illegible]				
Hyundai Motor Fin 8[illegible]	[illegible]				
Iceland 7⅞ 00	[illegible]				
Kobe 6⅝ 01	[illegible]				
Ontario 6¼ 03	[illegible]				
Quebec Hydro 5 08	[illegible]				
SNCF 7 04	[illegible]				
World Bank 5 03	[illegible]				
World Bank 7 01	[illegible]				
YEN STRAIGHTS					
Belgium 5 99	[illegible]				
EIB 6⅝ 00	[illegible]				
Finland 6¾ 96	[illegible]				
Inter Amer Dev 7¼ 0[illegible]	[illegible]				
Italy 3½ 01	[illegible]				
Japan Dev Bk 5 99	[illegible]				
Japan Dev Bk 6½ 01	[illegible]				
Nippon Tel Tel 5⅞ 9[illegible]	[illegible]				
Norway 5⅝ 97	[illegible]				
SNCF 6¼ 00	[illegible]				
Spain 5¼ 02	[illegible]				
Sweden 4⅝ 98	[illegible]				
World Bank 5¼ 02	[illegible]				
OTHER STRAIGHTS					
Arbed 7½ 95 LFr	[illegible]				
Genfinance Lux 9⅛ 9[illegible]	[illegible]				
World Bank 8 96 LFr	[illegible]				
Bank Voor Ned Gem [illegible]	[illegible]				
Energie Beheer 8¾ 9[illegible]	[illegible]				
AlbertaProvince 10⅜ [illegible]	[illegible]				
Bell Canada 10⅝ 99 [illegible]	[illegible]				
British Columbia 10 9[illegible]	[illegible]				
EIB 10⅛ 98 C$	[illegible]				
Elec de France 9¾ 9[illegible]	[illegible]				
Gen Elec Capital 10 9[illegible]	[illegible]				
KfW Int Fin 10 01 C$	[illegible]				
[illegible]					

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
Treas. 10pc Ln. 1994‡‡		10.00	-	100	—	102⅛	100
Exch 12½pc 1994		12.36	5.09	101	-1/16	104[illegible]	100[illegible]
Treas 9pc 1994‡‡		8.88	5.11	101⅜	—	103[illegible]	101⅛
12pc 1995		11.58	5.29	103⅝xd	-1/16	107[illegible]	103⅛
Exch 3pc Gas 90-95		3.06	5.20	98[illegible]	—	98[illegible]	97¼
10¼pc 1995		9.82	5.89	104⅜xd	-1/16	107[illegible]	104⅛
Treas 12¾pc 1995‡‡		11.76	6.23	108⅜	-1/16	113⅜	108⅛
14pc 1996		12.64	6.57	110[illegible]xd	-1/16	117[illegible]	110[illegible]
15¼pc 1996‡‡		13.37	6.89	114[illegible]	—	121[illegible]	114[illegible]
Exch 13¼pc 1996‡‡		11.96	6.92	110[illegible]	—	117[illegible]	110[illegible]
Conversion 10pc 1996		9.47	7.31	105⅝	—	112[illegible]	105[illegible]
Conv 7pc 1997‡‡		7.09	7.43	98[illegible]xd	-1/16	100[illegible]	98[illegible]
Treas 13¼pc 1997‡‡		11.72	7.48	113[illegible]xd	-1/16	121[illegible]	112[illegible]
Exch 10½pc 1997		9.83	7.58	106[illegible]	—	114[illegible]	106[illegible]
Treas 8¾pc 1997‡‡		8.55	7.87	102[illegible]	+1/16	110[illegible]	101[illegible]
Exch 15pc 1997		12.52	8.02	119[illegible]	-⅛	131[illegible]	119[illegible]
9¾pc 1998		9.30	8.12	104[illegible]xd	-1/16	114[illegible]	104[illegible]
Treas 7¼pc 1998‡‡		7.45	8.07	97[illegible]	—	106[illegible]	96[illegible]
Treas 6¾pc 1995-98‡‡		7.07	8.12	95½	-1/16	102	94[illegible]
14pc '98-1		11.85	8.37	118[illegible]	-1/16	131[illegible]	117[illegible]
Treas 15½pc '98‡‡		12.37	8.34	125[illegible]	-1/16	140[illegible]	124[illegible]
Exch 12pc 1998		10.63	8.37	112[illegible]	-1/16	125[illegible]	112[illegible]
Treas 9½pc 1999‡‡		9.12	8.34	104[illegible]xd	—	116[illegible]	103[illegible]
Five to Fifteen Years							
Exch 12¼pc 1999		10.75	8.50	114[illegible]	-1/16	128[illegible]	113⅛
Treas 10½pc 1999		9.74	8.49	107[illegible]	—	121[illegible]	106[illegible]
Treas 6pc 1999 ‡‡		6.62	8.27	90[illegible]xd	-1/16	101[illegible]	89[illegible]
Conversion 10¼pc 1999		9.59	8.59	106[illegible]	+1/16	121[illegible]	105[illegible]
Treas Flg Rate '99		-	-	99[illegible]	—	100[illegible]	99[illegible]
9pc 2000‡‡		8.85	8.59	101[illegible]	-1/16	116[illegible]	101⅛
Treas 13pc 2000		10.90	8.78	119[illegible]xd	-1/16	136[illegible]	118[illegible]
10pc 2001		9.45	8.82	105¾	-1/16	122[illegible]	104[illegible]
7pc '01 ‡‡		7.67	8.61	91¼	-1/16	106[illegible]	90[illegible]
7pc '01 A		7.69	8.63	91[illegible]	-1/16	101[illegible]	89[illegible]
9¾pc 2002		9.29	8.86	104[illegible]	-1/16	123[illegible]	103⅛
8pc 2003‡‡		8.36	8.73	95[illegible]	-1/16	113[illegible]	94[illegible]

	Notes	Yield Int	Yield Red	Price £
10pc 2003		9.35	8.85	10[illegible]
Treas 11½pc 2001-4		10.26	9.03	112[illegible]
Funding 3½pc '99-4		4.87	7.52	71⅞
Conversion 9½pc 2004		9.07	8.78	104[illegible]
Treas 6¾pc 2004‡‡		7.72	8.59	87[illegible]
Conv 9½pc 2005		9.04	8.74	10[illegible]
Treas 12½pc 2003-5		10.35	9.13	120[illegible]
7¾pc 2006‡‡		8.32	8.66	9[illegible]
8pc 2002-6‡‡		8.47	8.73	9[illegible]
Treas 11¾pc 2003-7		10.20	9.12	115[illegible]
Treas 8½pc 2007 ‡‡		8.60	8.85	98[illegible]
13½pc '04-8		10.58	9.14	12[illegible]
Treas 9pc 2008 ‡‡		8.74	8.91	10[illegible]
Over Fifteen Years				
Treas 8pc 2009		8.44	8.60	9[illegible]
Treas 6 1/4pc 2010		7.75	8.43	8[illegible]
Conv 9pc Ln 2011 ‡‡		8.69	8.58	103[illegible]
Treas 9pc 2012‡‡		8.65	8.56	10[illegible]
Treas 5½pc 2008-12‡‡		7.42	8.30	7[illegible]
Treas 8pc 2013‡‡		8.42	8.52	[illegible]
7¾pc 2012-15‡‡		8.37	8.46	92[illegible]
Treas 8¾pc 2017‡‡		8.54	8.49	10[illegible]
Exch 12pc '13-'17		9.21	8.73	130[illegible]
Undated				
Consols 4pc		8.70	-	[illegible]
War Loan 3½pc‡‡		8.60	-	[illegible]
Conv 3½pc '61 Aft.		6.13	-	[illegible]
Treas 3pc '66 Aft.		8.56	-	[illegible]
Consols 2½pc		8.54	-	[illegible]
Treas. 2½pc		8.60	-	[illegible]

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Cellnet lifts Securicor to £37m

By Tim Burt

Securicor Group, the communications, security and parcels business, yesterday announced a 28 per cent increase in interim pre-tax profits to £3[illegible], following a sharply improved performance by Cellnet, its 40 per cent owned mobile phone network.

The telephone company saw profits rise from £21.4m to £26.9m as its subscriber base expanded by 55 per cent to 1.15m customers.

Its contribution lifted profits at Security Services, the Securicor subsidiary where most of the group's operating companies are held, by 33 per cent to £26.8m in the six months to March 31.

While hailing the contribution of Cellnet and predicting rising demand by customers, the company yesterday hinted at a shift in strategy to reduce its dependence on the phone network.

Mr Roger Wiggs, chief executive, said likely initiatives could include head-on competition with Parcelforce and service contracts with Royal Mail Letters if the Post Office was privatised.

"The privatisation offers the prospect of enhancing profits of our parcels business," he said.

Profits in the parcels division increased 37 per cent to £4.9m on increased turnover of £152.7m (£123.7m).

The security division, meanwhile, has placed tenders to build and operate two new prisons and is seeking further custodial contracts.

Such measures follow Securicor's success last year in winning a £96m contract to escort 250,000 prisoners a year for London's Metropolitan Court Escort and Custody Service.

It saw profits increase from £3.76m to £5.02m on turnover ahead at £147.4m (£143.6m).

The business services division saw profits increase from £164,000 to £893,000, although the finance and insurance business saw profits decline from £2.7m to £1.7m.

Nevertheless, the strong contribution from Cellnet enabled the company to declare an increased interim dividend of 0.805p (0.732p) for the group and 1.686p (1.533p) for Security Services.

Earnings per share rose to 18.6p (14p) and 17.4p (12.2p) respectively.

The result prompted a 30p rise in Securicor Group shares to 1210p, while Securicor A shares – the most heavily traded – closed up 5p at 825p.

● **COMMENT**

Securicor may be keen to reduce its reliance on Cellnet, but it is by no means ready to sever its lucrative relationship with the high-earning network. Mr Wiggs yesterday admitted that its holding remained an investment and serious offers would be considered. But likely bidders have so far been deterred by the high price Securicor would demand for a business which is the engine room of its own profitability. So although the group is giving greater attention to its managed businesses, its reluctance to relinquish its grasp on Cellnet has reassured analysts and persuaded them to increase year end profit forecasts to up to £84m, which on a forward multiple of 20 makes the group an attractive long-term, if expensive, option.

Betterware shares hit by 8% fall in sales

By Paul Taylor

Shares in Betterware fell by 7p to 97p yesterday after the direct home-shopping group revealed that first-quarter UK sales were 8 per cent lower than a year earlier.

The fall reflected teething problems associated with the opening of a new distribution centre and consumer uncertainty.

The decline follows a warning in May when Betterware announced its full year results. That warning prompted the shares to fall by 5p to 123p.

Yesterday Mr Walter Goldsmith, chairman, told the annual meeting that the trend in the second quarter was improving with growth about 1 per cent higher. Overall sales for the first 18 weeks were down 6 per cent on a like-for-like basis.

Mr Goldsmith said the problems at the new distribution centre were now over and predicted that if the present trend continued the short-fall would be made up over the coming months.

● Pentos, the specialist retailer which raised £45m through a 4-for-3 rights issue at 25p earlier this year, confirmed yesterday that it would report a substantial loss for the first half of 1994 reflecting a number of factors.

However, Sir Kit McMahon, chairman, told shareholders at the annual meeting that this should represent, "the bottom of the cycle for Pentos". The shares closed unchanged at 25½p.

European Motor plans takeover after rise to £5m

By Paul Taylor

European Motor Holdings, the motor retail and services group, revealed yesterday that it was in detailed discussions which could lead to "a significant acquisition".

Mr Richard Palmer, chief executive of the group – which reported a 50 per cent increase in full year profits – added that if the acquisition proceeded the board planned to raise between £15m and £20m of new funds through a rights issue.

Mr Palmer said an announcement could be made later this month and added that if the deal goes ahead it would not dilute earnings.

Despite this assurance the shares closed 11p lower at 123p.

Pre-tax profits increased to £5.15m in the year to March 31, up from £3.44m last time. Turnover expanded by 35 per cent to £157.5m (£117.1m).

The motor retail division increased pre-tax profits from £2.4m to £3.1m. The motor services division boosted its pre-tax contribution to £3.1m (£2.6m).

Operating profits increased from £4.43m to £5.6m. Both core divisions improved their performance. The group's other businesses reported operating profits of £145,000 against an operating loss of £31,000.

The motor retail division, which now includes 13 different franchises spread over 19 locations, reported operating profits of £3.6m (£2.9m) on turnover of £136.5m (£96.9m).

Mr Palmer said used car trading was satisfactory, although difficult conditions were experienced in the second half of the year.

Overall vehicle sales accounted for 33 per cent of the division's operating profits. The group sold 10,700 (8,600) cars last year including 4,300 (3,800) new vehicles.

After sales operations, including bodyshops, which accounted for the remaining 67 per cent of divisional profits, also performed well.

In the motor services division Wilcomatic, the vehicle washing equipment company, lifted operating profits by 14 per cent to £3m (£2.6m) on turnover up 10 per cent to £15.3m. The improvement in margin reflected greater efficiencies and the efforts of the new divisional management.

Earnings per share increased by 32 per cent from 7.3p to 9.6p.

A final dividend of 2.525p is recommended, making a total for the year 21 per cent ahead at 4.25p (3.5p).

● **COMMENT**

The announcement that European Motor is close to finalising another purchase should come as no surprise. The group's last acquisitions (Mill Garages and Wilcomatic) were made two years ago and the group now wants to mix organic growth with expansion through the acquisition of underperforming businesses in its core areas. As the latest results confirm, management has a solid track record for squeezing more profit out of its operations. Pre-tax profits of about £6m look possible this year, producing earnings of just under 11p. After yesterday's fall the shares are trading on a reasonable multiple of 11.2.

Fisons sells horticulture business

By Paul Abrahams

Fisons yesterday effectively completed its troubled odyssey from horticultural company to pharmaceuticals and scientific group.

The company has sold its UK horticultural business for £25.3m in one of the largest management buy-outs so far this year. The operations had sales last year of £47m and operating profits of £3.8m.

The business was acquired by a consortium led by Prudential Venture Managers, which provided £50m financing to senior management. The new company, to be called Levington Horticulture will supply garden fertilisers, composts and chemicals to the retail and professional markets. It has the right to market horticultural products under the Fisons name for seven years.

The deal virtually completes Fisons' disposal programme announced by management in April 1992.

Fisons said it was negotiating with buyers for its last remaining horticultural businesses in France and Benelux. These generated operating profits last year of about £400,000 on sales of £20.3m.

Evans of Leeds climbs to £9.7m and net assets up 13p

By Simon Davies

Evans of Leeds, the family-controlled property investment and development company, yesterday announced an 11 per cent increase in pre-tax profits to £9.74m for the year to March 31.

Net assets per share rose by 13p to 111p, reflecting an 8.9 per cent like-on-like increase in the value of its property portfolio.

The company received gross rental income of £22.5m, compared with £19.2m in 1993, following "some satisfactory reviews", as well as the purchase of £16m of property during the year. However, net interest payable rose to £10.9m (£9.1m).

The company said it was proceeding with the £100m development of the White Rose Shopping Centre in Leeds, which it is undertaking with joint venture partner Yorkshire Water.

It is currently awaiting detailed planning permission for the development, which was initially planned in the mid-1980s, but Mr Bill Gibson, director, said work could commence during 1994. Given the size of the project, he said Evans was considering a number of options for White Rose, which could include taking on other partners.

The company raised another £13m from the issue of debentures last year, and it has a £15m bank stand-by facility. In addition, gearing remained at 53 per cent last year, which is conservative for the sector.

A proposed final dividend of 1.74p brings the total for the year to 2.53p (2.285p adjusted). This is the 18th successive year in which Evans has increased its total dividend by more than 10 per cent.

Earnings per share were 5.72p (5.69p).

Gt Southern attacks 'knockdown price'

By Simon Davies

Great Southern Group, the funeral operator that has become the target of Service Corporation International, the US funeral group, yesterday issued its defence document, claiming the 600p hostile offer was a "knockdown price".

Great Southern emphasised the 252 per cent increase in its share price since its October 1986 flotation – even before the offer – and its activity in building up its crematoria and funeral businesses, through acquisitions.

In addition, it claims SCI "shows no understanding of Great Southern's business or the UK funeral industry", and has not done the homework necessary to be the "careful custodian" of its traditions.

Shareholders appear likely to head the call to "ignore the offer". The shares closed yesterday 1p higher at 609p, suggesting the expectation that it will be raised.

More importantly, the Field family, who control 56 per cent of its shares, have said the bid price is "unacceptable", and the offer is contingent upon acceptance by the family holding company JD Field.

The document claims that the company offers profits growth from its recent programme of expanding its crematoria, and the success of Chosen Heritage, its successful pre-paid funeral scheme, which has a 65 per cent UK market share.

SCI is clearly convinced of the attractions. Mr Bill Heiligbrodt, SCI president, returns to London tomorrow and is expected to endeavour to sound out a price which will tempt the Fields to sell.

The offer is due to close next Tuesday.

Kerry acquiring leading chilled food brands from Unilever

By Tim Coone in Dublin

Kerry Group, the Irish meat, dairy and food ingredients manufacturer, is to acquire the chilled meats business of Mattessons Walls from Van den Burgh Foods for an as yet undisclosed sum.

Net asset value of the business being acquired has been independently estimated at £25m.

The acquisition, which Kerry said was still at the due diligence appraisal, would double Kerry's business in the UK consumer foods sector to about £160m in sales. It would also give it control of some of the leading brand names in Walls, the added-value meats business. Walls ice cream will continue to be produced and marketed by Birds Eye Walls.

Other brands include Mattessons, Richmond, Lawson, New York Deli and Valley Farm, all familiar names on UK supermarket shelves.

According to Kerry: "The acquisition is part of our strategy to build a strong branded position in the UK market."

The deal would add a nationwide van sales operation of 200 people in England and Wales and two manufacturing plants at Manchester and Durham to Kerry's existing UK distribution and manufacturing facilities.

The company said the Mattessons business "is now at a turnaround stage and there will be opportunities for further streamlining".

According to analysts in Dublin, the UK chilled meat sector is highly competitive, but the acquisition would strengthen Kerry's focus on the food ingredients and consumer foods businesses, and position it well for an upturn in the UK food sector next year.

Van den Burgh Foods said the decision to sell its chilled meats business was part of its plan to concentrate resources in its established core areas of margarine, low-fat foods, spreads, liquid oils and meat snacks.

Mattessons Walls joined Van den Burgh, a subsidiary of Unilever, in 1992 from another division of Unilever. The company said that during the past two years there had been an ongoing pruning and rationalisation of the chilled meats division.

Magnum Power to float

By Paul Taylor

Magnum Power, which designs built-in uninterruptible power supply units (Bi-ups), is planning a USM flotation through a placing with institutional investors.

Bi-ups can be built into equipment such as personal computers and fileservers to protect against the loss of valuable data and equipment damage if the primary power supply fails.

Magnum was founded in 1990 by Mr Vincent Lavin, who claims to have invented Bi-ups the previous year, and Mr Ian Irvin, finance director.

The flotation, which is sponsored by Henry Cooke Corporate Finance, is designed to strengthen Magnum's capital base so that the group can fully exploit the commercial potential of Bi-ups and build sales volumes.

Neepsend up to £761,000

Neepsend, the light engineer, reported pre-tax profits for the year to March 31 of £761,000, against losses of £99,000. Turnover increased from £16.7m to £18.6m.

The company said the improvement had continued into the present year. The shares rose 3p to 41p.

The result was after lower interest charges of £283,000 (£411,000) and an exceptional cost of £253,000 (£275,000) relating to the sale of land on which the company will be entitled to extra payment of £1m or £2m depending on planning permission.

Neepsend is also in talks on the disposal of its Canadian subsidiary which should result in proceeds of £375,000.

Earnings per share were 2.12p (0.32p losses) and a final dividend of 0.75p is recommended for a total of 1.25p (0.75p).

Shani improves to £1.7m

Shani Group, the USM-traded fashion wear company, reported pre-tax profits of £1.71m for the nine month period to April 30 1994.

The group is changing its year-end to October 31 reflecting the seasonal nature of LAS, the women's coat and suit business; comparisons cover the six months to end-January 1993.

The outcome, up from £1.34m last time, was achieved on turnover ahead from £11.5m to £16m.

Mr Martin Hollis, chairman, said the second period of the 15-month year had started well with turnover continuing to increase on a like-for-like basis.

The interim dividend goes up 67 per cent, from 1.8p to 3p, payable from earnings ahead to 8p (6.3p) per share.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Assoc Nursing §	fin	1.5†	Aug 18	1	2	1
Birkby	fin	4.8†	Oct 3	2.53	6	3.53
Budgens	fin	0.7	Oct 4	1	1	1
Court Cavendish	fin	2.65	Sept 8	-	4	-
Danae Inv Trust	fin	4.575	Aug 31	4.575	7.95	7.95
European Motor	fin	2.525	Oct 4	2	4.25	3.5
Evans of Leeds	fin	1.74	Aug 26	1.57*	2.53	2.285*
Gardiner Group	int	0.25	Oct 10	0.23	-	0.73
Howden	fin	1.61	Oct 3	1.45	2.43	2.2
Morris Ashby §	fin	4†	Oct 3	3.7	6	5.4
Neepsend	fin	0.75	Oct 3	0.5	1.25	0.75
Securicor	int	0.805	Sept 30	0.732	-	2.961
Security Servs	int	1.686	Sept 30	1.533	-	5.684
Shani §	int	3♦	Aug 25	1.8	-	5.3
Sims Food	fin	5.5	Oct 4	4.5	7.5	7.5
Sterling Pub §	fin	2.8	Nov 7	2.4	3.6	3
Torex Hire §	int	0.3	Sept 30	-	-	0.6
Vibroplant	fin	2.38	Oct 3	1.28	3.6	2.5
Worthington	fin	1.3†	Oct 3	1.1	1.9	1.6

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. §USM stock. ♦For nine months.

Industrial fan integration lifts Howden

By Andrew Bolger

Shares in Howden Group rose by 4p to 88p yesterday after the Glasgow-based engineering company reported a 49 per cent increase in annual pre-tax profits to £27.6m.

The pre-tax figure, for the year to April 30, included a one-off gain of £1.38m from the sale of a property in Hong Kong. Turnover rose from £335.1m to £373.4m.

Howden said profits had improved partly because of the successful integration of two industrial fan companies bought last year for a total of £40m – Novenco in Denmark and Buffalo Forge in the US.

The subsequent rationalisation programme involved the closing of 900,000 sq ft of manufacturing capacity in the US, Canada and UK and a reduction in the combined workforce of about 750 employees.

Mr Johnny Johnsen, chief executive, said the restructuring had yielded annual cost savings of about £18m. The result was that the formerly lossmaking North American fan operations, and the lossmaking activities of Novenco in Europe, were now in the black.

Order intake was £389m, an increase of 46 per cent. The highlight was the £27m tunnel boring machine order won by Wirth, Howden's German subsidiary, for a road tunnel in Taiwan.

Wirth incurred a loss of £3m to £4m because of low orders last year and the cost of a rationalisation programme to reduce its workforce by 250 to 500, which will be completed during the current first half. The group said these savings, plus the impact of the Taiwan order, should contribute to an improved performance in 1995.

In the UK James Howden improved profitability and won orders for tunnel boring machines for the Brighton flood alleviation scheme and the Heathrow express line.

Mr John Jackson, chairman, said the international spread of Howden's businesses has enabled the group to weather the worst effects of the recession and would bring further reward as the economic recovery developed.

Earnings per share increased by 12 per cent to 6.7p (6p). A final dividend of 1.61p gives a total for the year of 2.43p, an increase of 10.5 per cent.

● **COMMENT**

Howden's strategy of reducing its exposure to contracting and construction is paying off, with the successful integration of the fans business offering scope for further margin improvement – particularly in the US. Forecast pre-tax profits of £32m put the shares on a prospective multiple of 11. That 14 per cent discount to the market is partly because memories still linger of the group's disastrous Danish tunnelling contract, which caused the share price to plummet and nearly wiped out group profits in 1990-91. The shares should be uprated from their current level in the medium term, as the market learns to view the group as an engineering stock, which should benefit from later-cycle investment.

Sterling Publishing rises 32%

By Andrew Bolger

Sterling Publishing Group, which specialises in international business reference books and magazines, increased pre-tax profits by 32 per cent to £7m in the year to March 31.

Sales rose from £42m to £52m. The group's principal division, which publishes international business reference books and quarterly magazines, increased operating profits to £6.8m (£4.9m).

Sterling introduced a record 23 new publications to its range during the year, and in total published 70 individual titles. Two new titles launched were Who's Who in the Former Soviet Union and Who's Who in Central and Eastern Europe.

Sterling said Turret, its trade magazine publisher and exhibition organiser, had a satisfactory year in competitive market conditions, with operating profits up to £1.3m (£1.2m).

Mr Roger Harrison, chairman, said future prospects were bright, with forward sales for all activities showing healthy increases.

Earnings per share rose by 28 per cent to 10p (7.8p). A final dividend of 2.9p raises the total to 3.6p (3p).

Birkby turns in threefold gain to £3.3m

By Simon Davies

Birkby, the space management and hire purchase company, announced pre-tax profits up threefold to £3.3m for the year to March 31, and said that all divisions were experiencing record sales for the first 13 weeks of the year.

The company completed the £58.7m purchase of In-Shops in March, and management said that occupancy levels had already improved from 78 per cent to 82 per cent on In Shops' retail management portfolio.

In addition, Mr Bill Cran, chief executive, said In-Shops should achieve administrative cost savings of £1.4m a year, of which up to £1m would come through during the current year.

Following the acquisition. Birkby has emerged as a £118m capitalised company focusing on the provision of premises, credit and services for small businesses or retailers.

Turnover for the year increased 26 per cent to £14.7m, aided by contributions from Hill Hire, the commercial vehicle leasing company acquired in July, and In Shops.

The space management operations saw occupancy rise to 94 per cent, and pre-tax profit from continuing operations amounted to £809,000. Every 1 per cent increase in occupancy from In Shops means another £260,000 of income.

The vehicle hire business, which started with the rationale of offering services to tenants, contributed £1.8m, of which about £1.6m came from Hill Hire.

Profits were held back by a £525,000 loss – primarily the write-off of goodwill – on the sale of businesses from Finlan, which was taken over by Birkby in August 1992.

Birkby's gearing has fallen from 46 per cent to 41 per cent.

Earnings per share improved from 11.1p to 11.8p. A recommended final dividend of 4.8p makes a total 6p, an increase of 70 per cent.

● **COMMENT**

Birkby has delivered all its promises so far, and the company is promising a lot more. It has carried the costs of the In Shops acquisition, and has already improved earnings potential. With full year contributions from In Shops and Hill Hire this year, profits could reach £8.6m, putting the shares on a p/e of 15. It is a cyclical business with little asset backing, and the outlook could change from a likely increase in competition and rental pressure on leased properties. But Birkby has found a good formula and the current rating seems justified.

Schroder Japan oversubscribed

Schroders has raised £125m with its new Japanese investment trust. Late applications for larger numbers of shares in the public offer are to be scaled back, as the offer was oversubscribed by £2.8m, writes Bethan Hutton.

Of the total, £88m was raised from an institutional placing, while applications for £39.8m were received in the public offer.

Mr Philip Middleton of Smith New Court, sponsors of the issue, said that the bulk of applications in the public offer were for small lots of shares.

Investors who applied for up to 5,000 shares at 100p will receive the full amount. Only applications for more than 5,000 shares received after June 17 will be scaled back, by between 10 per cent and 26 per cent.

Mr Jeremy Hill, chairman, said: "We are delighted with the level of interest shown in the Schroder Japan Growth Fund, particularly given recent market turbulence."

Separate dealings in the shares and warrants, which were attached on a 1-for-5 basis, are due to start on July 11.

Difficult trading for Budgens as profits decline to £5.4m

Budgens, the small retailing chain which is being backed by Rewe's, one of Germany's largest food chains, said trading conditions proved very difficult, particularly in the first quarter of this year, writes Andrew Bolger.

The group, which warned in April that opening discount stores had proved more expensive than anticipated, said pre-tax profits fell from £6.2m to £5.4m in the year to May 1.

Sales dipped to £298m (£301m).

Budgens said that in line with other food retailers it experienced year-on-year price deflation and in its case this was about 3 per cent.

Budgens converted nine existing stores to Rewe's Penny Market discount store format. The German group last year took a 29 per cent stake and has an option to raise this to 47 per cent next September, which would require a full bid.

Conversion costs and operating losses in the first year had an adverse effect upon profits, although these costs were offset by the profit generated from the sale and leaseback of a second warehouse adjacent to its main operations in Wellingborough, Northants.

Budgens plans to open a further 30 discount stores in the south-east over the next two years, although most of them are likely to open in 1995-96.

The retail format at the existing Budgens' stores has been re-focused to concentrate on fresh food at competitive prices. The group said the Penny Market stores were experiencing encouraging sales trends.

Earnings per share fell to 2.8p (3.4p). A final dividend of 0.7p maintains the total at 1p.

ICI makes $300m Taiwan expansion

By Daniel Green

ICI is planning to spend about $300m (£197m) on more than doubling the size of a chemicals plant in Taiwan.

The scheme takes to over $600m the investment ICI has earmarked for increasing its capacity in terephthalic acid, a raw material used in polyester manufacture.

Four weeks ago, ICI said it was planning to built a plant in Pakistan.

The new Taiwanese plant, ICI's second at the Kuan Yin site, would be able to produce 450,000 tonnes of TPA a year.

The existing 350,000 tonnes a year plant opened in 1992 and it currently being expanded to 400,000 tonnes.

ICI said that the TPA market "continues to surge".

World TPA demand had grown by 14 per cent a year since 1980 and even faster in Taiwan. Demand was "capacity constrained" and prices "were rising".

The new plant would use a proprietary technology to create "the world's lowest cost production unit in terms of both capital and production costs," said Mr David Hewitt, ICI's international TPA business manager.

The plans, as with those for Pakistan, are subject to ICI board approval.

If given the go-ahead, the second Kuan Yin plant should come on stream in 1997. The two Asian sites would then account for half ICI's world capacity in TPA.

ICI denied the TPA investments signified a return to commodity chemicals. The company has been reorganising itself in recent years to concentrate on fewer areas in which it can add significant value and had a strong technological position.

It said its proprietary manufacturing methods give it a technological advantage over competitors. ICI is the second biggest producer of the material in the world after Amoco, the US oil company.

Asia is a popular location for investments to supply the fibres industry because of the strength and size of local customers.

CONTRACTS & TENDERS

Thorn poised to offload defence side

By Bernard Gray

Thorn EMI, the music and electronics rental company, is discussing the sale of its remaining defence businesses with potential buyers.

Racal Electronics is thought to be the most likely buyer, but GEC has also recently re-entered discussions. GEC withdrew from talks last year after due diligence enquires had been conducted because a mutually acceptable price could not be negotiated.

The businesses primarily manufacture radar, electronic warfare and electronic command systems. Turnover last year was about £115m. Most of the operations are based at Crawley, West Sussex.

GEC is thought to be interested because there is a good fit between Thorn's business and its own electronic warfare operations.

The Ministry of Defence may be concerned about the threat to national security if the business were sold overseas, though Thorn said it had no reason to believe that the MoD had placed unusual constraints on the sale.

The current talks follow Thorn's agreement in principle to sell its defence electro-optical and missile-fusing interests to Thomson of France at the end of last month. Those businesses have turnover of about £80m.

St James Beach rises to £1.67m

By Joan Gray

In its first set of results since gaining a full listing in April, St James Beach Hotels, which operates in the Caribbean, beat its prospectus with a pre-tax profit of £1.67m for the year to March 31, against a forecast £1.64m.

The company, which has changed its year end from September 30, reported pre-tax profits of £1.92m for the six months to March 31. The annual profit for the year to September 30 1993 was £254,000.

Earnings per share came out at 12.11p (2.15p) or 8.22p fully diluted, also ahead of forecast.

Turnover rose to £8.85m (£7.51m), with room occupancy rates 18.2 per cent ahead on the comparable 12 month period. In the last three months of the financial year occupancy rates rose to 79 per cent (53 per cent).

The company has completed the £2.6m acquisition of the Barbados Beach Village hotel since the year end. This has been renamed the Crystal Cove and closed for refurbishment, in a programme which will add £2m to the company's capital expenditure for next year.

Negotiations are in progress for the purchase of a warehouse and office in Barbados for £1.1m to provide the company with a new headquarters.

In line with the dividend policy stated in the prospectus, the group is planning a first interim in respect of the period to September 30 1994.

The shares closed down 2p at 126p against an initial placing price of 120p.

UK side behind Vibroplant advance

By Gary Evans

Helped by improved UK trading conditions in the first half which were sustained in the second six months, Vibroplant, the specialist plant hire group, lifted pre-tax profits by 47 per cent from a depressed £1.9m to £2.8m in the year to March 31.

Mr Jeremy Pilkington, chairman, pointed out that with turnover only marginally ahead at £71.1m (£69.9m), the result was achieved through better utilisation of a smaller rental fleet.

On the basis of the improved performance and with the prospect of further progress this year, the recommended final dividend is restored to the 1992 level of 2.38p (1.28p) making a total of 3.6p (2.5p). Earnings per share were 3.78p (2.66p).

In the UK, pre-tax profits jumped to £2.79m (£1.29m) on turnover up 3 per cent to £35.8m. The most marked improvement came in the second half where revenues grew by more than 7 per cent.

Mr Pilkington said that while future prospects depended on the resumption of real growth in construction output, "the outlook is now more encouraging than it has been for several years".

The US, however, remained a problematic market for the group and pre-tax profits fell to £4,000 (£608,000) after making a £200,000 provision this time to cover the possible outcome of a lawsuit. Translated turnover was unchanged at £35.1m, but dollar revenues declined by 10 per cent to $52.8m because of both reduced machine sales activity and a reduction in the size of the rental fleet.

However, Mr Pilkington predicted that with the benefit of a growing US economy "we can look forward to a period of steady improvement in the performance of our US operations".

Riding along on the crest of the waves

Charles Batchelor on Stena Sealink's investment in £63m high speed catamarans

British holidaymakers gearing up for their trips abroad are being offered two main choices by the marketing men: a fast no-frills journey through the Channel tunnel – when it opens for passenger traffic – or a slower, more relaxing crossing by ferry.

There are other, less heavily promoted, options: hovercraft, which have never caught on because of the noise and spray, or small Hoverspeed catamarans popular with day trippers.

Next year, travellers will have another choice, with the arrival of large high speed catamarans – twin or triple hulled vessels which can travel twice as fast as conventional ferries – on short sea routes around the UK.

Earlier this month Stena Sealink announced it had commissioned three catamarans, each capable of carrying 1,500 passengers and 375 cars – five times the capacity of the largest "cat" currently in service.

The new £63m vessels, which are being built in Finland, are longer than a football pitch and nearly as wide.

Sea Containers, owner of Hoverspeed and the largest operator of catamarans, has also ordered a new generation of Super SeaCats more than twice the size of its existing vessels.

The new SeaCats, which are due to come into service in 1995, will be able to carry 600 passengers and 180 cars.

Catamarans have been in commercial service in British waters since the late 1980s, but the early vessels were unstable in choppy seas and made travellers sea-sick.

These problems have diminished as the cats have grown larger and the designers have developed techniques for stabilising them in rough seas.

The limited capacity of the earlier vessels restricted the routes on which they could be used, although their ability to travel at up to 40 knots (46mph) meant they could make more frequent journeys.

The rapid expansion of demand for cross-Channel sailings during the late 1980s and early 1990s persuaded the ferry operators that they needed to increase capacity.

They were faced with a choice between ordering superferries capable of carrying up to 1,800 passengers or the relatively small catamarans then available.

The ferry companies were not convinced that speed was a sufficiently strong selling point to justify the higher prices they would have to charge.

P&O European Ferries, which claims the largest share of the cross-Channel market, has yet to be persuaded of the advantages of catamarans. The company has had study teams looking at them for many years, but remains unconvinced about their reliability.

The opening of the Channel tunnel, which is being marketed primarily on the speed of its service, finally persuaded the ferry operators that they should consider cats seriously.

Stena Sealink concluded that the only advantage the tunnel could claim was speed; super-cats, it decided, could match it for speed but still offer all the facilities of a superferry.

An earlier generation SeaCat: the new vessels have five times the capacity of the largest catamaran currently in service.

Unlike the ferries, catamarans provide an airline style service with guaranteed seats arranged in rows in a single main cabin. The height of the vessel and the the distance of the passenger cabin from the engines provides a smooth ride, in stark contrast to the noise and spray which limited the popularity of the hovercraft.

The first catamarans to come into service were passenger only, but they have been superseded by car-carrying vessels.

"We decided the future lay in car-carriers rather than passenger-only vessels," said Mr Sam Spindlow, marketing manager of Condor, which operates a catamaran service between the Channel Islands and the mainland.

The next stage for catamarans is to progress from carrying cars to carrying trucks and coaches.

When the first of Stena Sealink's new super-cats comes into service on the Holyhead-Dun Laoghaire route across the Irish Sea in the spring of 1995 it will be capable of carrying up to 50 trucks, trailers or coaches as well as cars and their passengers.

Carrying freight means the operator can earn a steady revenue from his vessels all year round instead of just being dependent on the tourist traffic in the peak summer months.

Unlike Stena Sealink, Sea Containers has no plans to carry freight on its catamarans. The company is still waiting for proof that the freight market will pay a premium to make fairly small time savings on the short sea routes. Unloading trucks and trailers also makes for longer turn-round times in port. Sea Containers operates its small Hoverspeed catamarans on the Folkestone-Boulogne route, popular with day trippers; between Belfast and Stranraer; and, on charter, between the Isle of Man and the mainland.

Outside the UK it operates catamarans between Gothenburg and Frederikshavn and across the River Plate between Argentina and Uruguay. It recently chartered a vessel for use in the Arabian Gulf.

Demand for catamarans around the world exceeds supply, said Mr James Sherwood, chairman of Sea Containers. The company is looking at several new routes, including one between mainland Venezuela and the holiday destination Isla Margarita.

The initial response of the operators of traditional ferries to the introduction of catamarans was to cut their prices sharply, said Mr Sherwood. He expects that as the catamarans become more established this fierce price competition should ease.

With the Channel tunnel gradually building up its capacity this may prove a forlorn hope on the cross-Channel routes. But whatever the outcome the high speed catamaran is here to stay.

Second quarter lift helps Torex recover

Shares in Torex Hire jumped 5p to 54p yesterday after the USM-quoted group said that improved trading in the second quarter helped produce a turnround from a £139,000 loss to a pre-tax profit of £123,000 for the six months to April 30.

Turnover of the group, which hires out tools, small plant and catering equipment, increased from £1.94m to £2.48m. Earnings per share were 0.9p (0.99p losses) and an interim dividend of of 0.3p (nil) is declared.

Mr Benjamin Longrigg, chairman, said the group's diversification into other activities had proved successful. Results for the first two months of the second half were ahead of last year and continued growth was expected for the full year.

Mr Longrigg said Torex saw a definite improvement in all aspects of construction activity from last year's "very low levels." Turnover in the division rose 28 per cent to £1.8m.

Catering activities grew steadily throughout the recession and this growth had accelerated with better conditions, he added.

The temporary toilet service had expanded rapidly while the fire protection business continued to grow.

Enlarged Court Cavendish shows advance to £3.09m

By David Wighton

Court Cavendish, the nursing home operator which came to the market last July, saw pre-tax profits jump from £194,000 to £3.09m during in the year to April 30 before exceptional costs of £600,000.

Operating profits from existing homes were down 16 per cent at £2.33m due largely to a fall in occupancy following the introduction of the Community Care Act.

But Dr Chai Patel, executive chairman, said this was only a temporary effect. "Occupancy was down a bit to 91 per cent in the first half but picked up to 93.6 per cent in the second and for the first two months of this year is well over 94 per cent." He believes it is sustainable at this level, which is above the company's historic average.

Some other nursing home operators believe that Community Care will mean permanently lower occupancy for them. But Dr Patel said Court Cavendish has been less affected because almost 60 per cent of its customers are self-pay and its local authority work is biased towards specialist care which commands premium prices.

Its average fee rates from continuing operations increased by 4.5 per cent with private care fees up 6.3 per cent. Existing homes showed a 2.4 per cent increase in turnover to £13.9m with homes acquired during the year contributing £2.85m. The contribution to operating profit from acquisitions was £876,000, increasing the group total to £3.21m (£2.78m).

The group spent £13.5m buying further homes in the year increasing the number of owned beds from 658 to 1,200. Dr Patel said the group was on course to add a similar number this year.

The flotation proceeds of £38.6m cut the interest bill from £2.63m to £144,000.

Earnings, excluding exceptional items, rose from 4.2p to 15p; a final dividend of 2.65p brings the total to 4p.

The shares added 1p to 215p, compared with the flotation price of 225p.

PhoneLink in red as product costs bite

By Tim Burt

PhoneLink, the USM-quoted electronic information company, yesterday blamed start-up costs of its Tel-Me network for pre-tax losses of £1.76m in the year to March 31.

The company said the losses – against a £30,000 profit last time – were less than expected for a system which, it claims, will deliver on-screen information more rapidly than any other on the market.

Mr John Lyon, chief operating officer, expressed confidence that Tel-Me would emerge as the company's flagship product and overtake profits generated by DataCare, its telephone directory service for database users.

Although DataCare generated gross profits of £746,000 (£608,000) and underpinned a 35 per cent increase in turnover to £1.24m (£922,000), Mr Lyon said PhoneLink was concentrating its efforts on marketing Tel-Me to some 400,000 small businesses.

The system, launched in May following a 2½ year development, offers a wide range of on-screen information. "Tel-Me is now in place and we've moved from being a technology company to being a service supplier," said Mr Lyon.

The service has been sold to a number of large corporations including South Western Electricity and Guardian, the insurance group, and some 60 computer dealers have agreed to sell the system. The company has also persuaded IBM to install the necessary software in its personal computer products and help market it.

Costs, meanwhile, have been contained by the decision to shelve plans to relocate from its Prenton plant near Liverpool, saving more than £1m.

Mr Lyon warned, however, that developments costs were likely to exceed £3m before the system began to generate profits.

Until then, the company said it would continue to draw on cash reserves of £7.3m left over from its flotation in May last year.

Losses per share came out at 5p, against earnings of 0.1p.

Associated Nursing at £2.3m

Associated Nursing Services' nil-paid rights shares fell 1¼p to a low of 3¼p yesterday as the nursing homes operator announced figures for the year to March 31, writes David Wighton.

Group pre-tax profits rose to £2.32m (£1.58m), slightly ahead of the estimate that accompanied the £10m rights issue last month. Turnover rose to £19.3m (£17.9m).

The existing shares have fallen back to the rights issue price of 255p and were unchanged on the figures.

The issue, which closes on July 19, was fully underwritten by Henry Ansbacher.

Dr Nick Dhandsa, chief executive, said occupancy rates recovered quickly from the disruption caused by the implementation of Care in the Community with owned homes averaging 93 per cent last year and now running at 94 per cent.

The joint venture homes, where a number of extensions were built during the year, averaged 90 per cent.

The homes division increased operating profits by 17 per cent to £3.95m with average fees rising by 3.5 per cent.

A final dividend of 1.5p is recommended, making a total of 2p (1p), payable from earnings of 17.5p (14.3p) per share.

The rights issue cash will be used to fund the group's continued expansion beyond this year although it intends that most of its new homes will be developed with existing and new joint venture partners.

The group plans to move from the USM to the main market later this month.

Sims Food swings back into black

Sims Food Group saw its shares leap 13p to 84p yesterday after the Milton Keynes-based integrated meat group reported a pre-tax profit of £103,000 for the year to March 31.

This compared with a £586,000 loss last time, which was after exceptional charges of £6.6m, of which £3.1m related to asset write-downs and £3.5m to restructuring provisions, largely in the retail division.

In line with its strategy to reduce its involvement in the commodity wholesale side of the industry, turnover fell by 2 per cent to £306.4m. After adjusting for the timing of acquisitions, which contributed £18.4m, and disposals, which accounted for £34.4m (£39.4m), the underlying fall was 6 per cent.

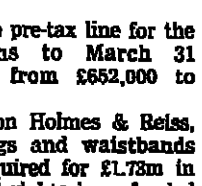
The recommended final dividend of 5.5p makes an unchanged total of 7.5p, which is uncovered and payable from reserves. There were nil earnings per share, against 5p losses.

NEWS DIGEST

Worthington jumps 82% to £1.18m

Worthington Group, the buttons and trimmings manufacturer which expanded into the men's wear market in February, yesterday reported an 82 per cent leap in annual profits.

On turnover of £16.4m



(£14m), the pre-tax line for the 12 months to March 31 improved from £652,000 to £1.18m.

Henderson Holmes & Reiss, the tapings and waistbands maker acquired for £1.73m in shares and rights issue-funded cash, contributed £1.4m to turnover and £80,000 to profits.

Mr Henry Schuldenfrei, chief executive, said the group remained committed to expansion, both organically and by further acquisition.

Group net assets rose to £6.5m (£4.2m) during the year; gearing, helped by the remaining proceeds of the rights issue, was reduced from 69 per cent to 39.7 per cent.

Earnings per share improved from 3p to 4.6p; a proposed final dividend of 1.3p brings the total for the year to 1.9p (1.6p).

National Grid takes £33m p&l hit

The National Grid Company, which is jointly owned by the privatised electricity companies, has redeemed two £150m tranches of government debt.

The aggregate redemption amount is £333.3m, meaning that £33.3m will be charged to the profit and loss account this year. However, the company said that the redemption would result in a significant reduction in interest costs.

ICL establishes software link

ICL, the computer manufacturer, has forged a marketing and products alliance with Computer Associates, the second largest US software company after Microsoft.

The deal, which involves the two companies marketing each other's products and cross-licensing software, follows recent distribution agreements between ICL and other software groups. The two companies will also engage in joint product development.

Record year for Morris Ashby

Morris Ashby, the Essex-based diecasting company, reported record results for the year to March 31. And Mr Norman Gardner, chairman, said the present year had started well with the order book strengthening.

On turnover up 30 per cent at £24.6m (£19m) pre-tax profits for the USM-quoted company were £1.82m (£1.5m), an increase of 21 per cent. Earnings per share were 13.6p (13.5p) and a proposed final dividend of 4p makes a total of 6p (5.4p).

Mr Gardner said that sales increased in eight out of the 10 sectors the company served with 18 of its top 20 customers increasing their business.

Gardiner Group falls to £1.93m

Pressure on its principal UK operations, Gardiner Security and Multi-Video Distributors, led Gardiner Group to turn in pre-tax profit for the six months to April 30 down from £2.36m to £1.93m.

Turnover was ahead at £40.5m (£40.2m).

Interest charges were reduced to £339,000 (£380,000) and gearing fell from 95 per cent to 62 per cent.

Earnings per share dipped to 1.18p (1.31p), but the interim dividend is raised to 0.25p (0.23p).

GDC receives new proposals

Group Development Capital Trust has received alternative proposals for its winding-down.

In May, the directors announced plans for shareholders to "realise their investment for a sum approximating to asset value" through a repayment of capital and the sale of certain unquoted investments.

New proposals, which could, according to the directors, "provide a more attractive alternative" include arrangements for holders to dispose of their investment on an adjusted formula asset value basis giving a value in line with the current share price.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 06.07.94: Pool purchase price £/MWh	Final Prices for Trading on 08.06.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.34	15.33	17.81
0100	11.73	11.00	11.00
0130	10.60	10.99	13.47
0200	10.60	10.99	13.47
0230	10.60	10.99	13.47
0300	10.60	10.99	13.47
0330	10.60	10.99	13.47
0400	10.60	10.99	13.47
0430	10.60	10.98	13.47
0500	10.60	10.99	13.47
0530	10.05	10.90	10.90
0600	11.58	11.61	14.09
0630	11.58	11.61	14.09
0700	24.89	21.66	24.14
0730	24.88	23.55	26.03
0800	24.89	23.59	26.16
0830	27.91	24.89	27.56
0900	26.72	25.89	28.74
0930	25.80	26.83	29.71
1000	34.00	26.89	30.15
1030	34.03	26.85	30.10
1100	34.06	27.12	30.31
1130	34.16	29.27	32.86
1200	34.85	38.79	42.33
1230	34.84	38.30	41.70
1300	28.26	37.17	40.30
1330	28.09	25.84	28.70
1400	28.03	25.61	28.29
1430	28.01	25.42	28.17
1500	28.00	25.31	28.04
1530	28.00	25.32	28.05
1600	28.08	25.69	28.52
1630	36.49	37.52	40.62
1700	37.01	32.13	35.32
1730	36.91	37.40	40.42
1800	27.88	36.24	38.98
1830	27.88	25.82	28.14
1900	24.89	25.53	28.02
1930	24.89	23.54	26.02
2000	23.42	23.46	25.94
2030	23.33	23.54	26.02
2100	23.33	34.75	37.23
2130	23.33	34.75	37.23
2200	36.62	34.75	37.23
2230	36.62	34.75	37.23
2300	23.33	21.66	24.14
2330	17.98	21.66	24.14
2400	23.33	21.66	24.14

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0532-[illegible] between 8:30am and 5:15pm Monday to Friday.
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waves

ed catamarans

Cavendish £3.09m

at £2.3m

into black

COMMODITIES AND AGRICULTURE

Copper rally runs into resistance

By Richard Mooney

Copper's price rally continued at the London Metal Exchange yesterday but ran into resistance short of the 21-month peaks reached late last month.

Twice the three months position spiked above $2,490 a tonne, but both times the move was reversed by dealer selling and profit-taking. At the close the price stood at $2,486.50 a tonne, up $17 on the day and $110 above the low reached in the sell-off that ended a week ago. In after hours trading it was trimmed further $13.

Dealers told Reuter that yesterday afternoon's retreat was all part of a consolidation process following a week of gains. The rise had been encouraged by news that Chile's Chuquicamata mine would lose 40,000 tonnes of output this year because of a furnace closure to comply with pollution controls.

Boffins aim to clean up with oilseed rape

By Alison Maitland

Scientists at the Scottish Agricultural College are working with Calgene, the Californian biotechnology group, to develop an oilseed rape variety for use in detergents such as washing powder for the European market.

The work, unveiled at this week's Royal Show, England's biggest agricultural event, involves genetic engineering of rape varieties to change the mixture of oils they contain.

If the research results in commercial production it could reduce dependence on imports of coconut and palm oil for detergent manufacture. Britain imports 400,000 tonnes of these oils a year.

"We're to all intents and purposes growing palm trees at Aberdeen," said Mr Kerr Walker, an agronomist with the college's Agro-Industrial Research Services unit in north-east Scotland.

Oilseed rape is one of the most important crops grown in the UK for industrial purposes, which means it can be cultivated on land that farmers are paid to take out of food production. Last year, 500,000 hectares of arable land were set aside in the UK, a figure that could double by 2000.

At present only erucic acid is available from rapeseed. This is used in specialised industrial detergents, but is becoming better known as an agent for making polythene wrapping malleable.

Calgene, which developed the non-rotting "Flavr Savr" tomato, has asked the Scottish researchers to investigate varieties with high lauric acid content, which produces oils similar to coconut and palm oil.

"There's interest from other companies," said Mr Walker. "They really would like to get their hands on these materials. But the varieties are very definitely Calgene's property and have been patented." He said the oils could be on the market in North America next year, according to the American Oil Chemists Society. Their commercial development in Britain depends on the gradual relaxation of Department of Environment regulations on the release of genetically engineered organisms.

It also requires public acceptance that stringent precautions have been taken to ensure such releases are safe.

The genetic engineering involves slotting a small piece of genetic information into the plant cell, which then produces a different oil type. Mr Walker said: "It's absolutely vital the public are kept informed about this and that it's done slowly and sensitively".

Chemical group puts organic farming on trial

Alison Maitland reports on Rhône-Poulenc's 10-year experiment in producing crops without chemicals

When Rhône-Poulenc, one of Europe's largest agrochemicals groups, started an experiment in organic farming at its research base in Essex, the public response was understandably sceptical. Alongside laboratories testing 10,000 herbicide components a year was a project designed to demonstrate scientifically whether farming without chemicals could be profitable, effective and good for the environment.

Five years into the experiment, Mr Lister Noble, manager of the 57-hectare Boarded Barns Farm, is as conscious as ever of the need for credibility as he unveils the first detailed conclusions of the 10-year comparison with conventionally-grown cereal crops.

"If I haven't got my heart in it, then there's no comparison. I do really want to make the organic side pay," he says.

Driving round the site, Rhône-Poulenc's only commercial farm, Mr Noble bubbles with enthusiasm at the progress of the organic wheat and oats. The land had to be left uncultivated for two years before organic cropping could begin, to remove all traces of chemicals. So this year's grain harvest will be only the third, even though the project began in 1989.

"This year is the first year that we're starting to see trends and drawing observations," he says.

The organic crops appear less regimented and slightly less robust than their conventional rivals in five neighbouring fields on the farm, which has a predominantly chalky boulder clay soil topped by a medium-heavy loam. However, Mr Noble says weeds have not been as big a problem as he feared.

Organic wheat production, although well below the conventional yield of about eight tonnes a hectare, was better than he expected. "I thought the first organic crop was going to be really weedy but it wasn't. It yielded over five tonnes a hectare, which is rated with some of the best organic yields in the UK."

Second year yields were almost as good, but the protein level was too low to qualify the wheat for bread making. Mr Noble attributes this to a lack of nitrogen in the soil. H used pelleted chicken feather manure and seaweed extract to fertilise the soil in the first year but abandoned that in the second on the advice of some organic experts. Now he is considering using it again to improve the quality – and saleability – of the wheat.

Since one of the biggest difficulties with organic farming is low soil fertility, he is particularly pleased that new regulations from Brussels allow organic farmers to grow clover – a rich soil nutrient – on land they are paid to set aside from arable production. This will prove an economical way of increasing nitrogen levels during rotations between cereal crops.

Every aspect of the project is being monitored by outside experts, ranging from university research departments to Adas, the government's farm advisory service, and the British Trust for Ornithology.

To demonstrate impartiality, Mr Noble asked Elm Farm, the research arm of the Soil Association, Britain's leading organic campaign body, to choose the five fields for the organic experiment.

Independent experts have analysed and tasted bread made from the two types of wheat. They found no differences in the calorific value of the breads, although the organic wholemeal loaves did not rise as well and textures and flavours differed. As far as environmental effects are concerned, different species of spider have been found in the organic fields and more bird species on the farm generally, but it is too early to draw clear conclusions.

That is not the case when it comes to profitability. The average annual cost of producing organic wheat at Boarded Barns Farm has been nearly £17 higher a tonne than for the conventional wheat over the past five years.

The project involved start-up costs for separate machinery such as a £14,000 sprayer to ensure no chemicals are sprayed by accident on to the organic crops. In addition, loss of young crops to pests, disease and weeding machinery means that organic seed must be applied at 250kg a hectare, compared with 180kg on conventional fields.

However, the variable costs of the organic wheat crop in 1992 and 1993, such as seed, fertiliser, machinery and hired labour, proved lower than those of the conventional crop. The really costly problem is having to leave fields uncropped during conversion to organic methods and again between crops, to restore soil fertility. Mr Noble converted the fields gradually, keeping some under conventional crops for the first two years to boost gross margins. "The organic side would have looked pretty sick [financially] if we hadn't included the conventional crops," he says.

Even so, the organic side of the farm has produced a cumulative gross margin – the value of output less variable costs – of only £2,557 a hectare since 1989 compared with £5,487 from the conventional side.

"There's got to be a massive subsidy to make this farm pay, growing organic crops," Mr Noble concludes. Britain, unlike other European countries such as Germany, does not pay state subsidies to existing organic farmers, although the government is implementing a £1.5m-a-year scheme in August to encourage conventional farmers to convert to organic.

Mr Noble himself favours "taking the best of both [organic and conventional] systems." He believes lessons can be learned by conventional farmers from the organic experiment, such as its use of a weeding machine which acts like a giant rake, lifting young weeds out of the soil before they have a chance to root firmly. This aerates the soil and loosens the surface, helping to release plant nutrients. "On a conventional farm, they could use this if there's not a high weed population. If it doesn't work, they could then use a herbicide."

The experiment may continue beyond 10 years, Mr Noble says. "We might find there's mileage in it." Rhône-Poulenc has clearly seen which way the wind is blowing. It is developing agrochemicals with low active ingredients and pesticides that attack specific targets. Another idea being pursued is for a protective dressing to be applied to seeds so that the crop they produce does not need to be sprayed.

The group is also making diagnostic kits to help farmers decide the precise timing and levels of spray in environmentally sensitive areas. According to Mr Noble: "If the farmer wants to use fewer inputs, he will need quite a lot of advice and help."

Lister Noble bubbles with enthusiasm at the progress of his organic wheat and oats.

MARKET REPORT

Coffee claws back modest gains as frost news awaited

London Commodity Exchange **COFFEE** prices clawed back modest gains in a listless afternoon session that saw most players reluctant to move decisively pending more news on crop damage and weather trends in Brazil. The September futures price, which had ranged between $3,030 and $3,095 a tonne, closed at $3,074, up $21.

COCOA futures followed the New York trend to end at the day's lows.

London Metal Exchange **ALUMINIUM** prices showed little reaction to news of a big cut in warehouse stocks.

Compiled from Reuter

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	-16,775	to 2,591,109
Aluminium alloy	-200	to 29,560
Copper	-3,000	to 350,925
Lead	-775	to 353,950
Nickel	+90	to 132,774
Zinc	-375	to 1,196,700
Tin	-75	to 30,890

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1493.5-94.5	1518-19
Previous	1494-5	1519-20
High/low	1505/1504.5	1530/1511
AM Official	1504.5-5.0	1529-29.5
Kerb close		1512-3
Open int.	260,968	
Total daily turnover	70,570	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1487-92	1502-5
Previous	1475-85	1490-500
High/low		1520/1505
AM Official	1505-8	1515-20
Kerb close		1500-5
Open int.	2,991	
Total daily turnover	811	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	565.5-66.5	581.5-82.0
Previous	567-8	583-4
High/low		590/581
AM Official	569-70	585.5-86.0
Kerb close		583-4
Open int.	41,291	
Total daily turnover	10,281	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6175-85	6275-80
Previous	6310-15	6405-10
High/low		6450/6240
AM Official	6295-305	6410-20
Kerb close		6280-90
Open int.	58,866	
Total daily turnover	7,686	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5270-80	5350-55
Previous	5300-10	5375-77
High/low		5420/5330
AM Official	5335-40	5405-15
Kerb close		5340-5
Open int.	19,050	
Total daily turnover	3,714	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	956-57	980-81
Previous	957-8	982-3
High/low		988/974
AM Official	961-62	985-86
Kerb close		973-4
Open int.	106,712	
Total daily turnover	17,829	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2471-72	2486-87
Previous	2454-5	2469-70
High/low		2493/2455
AM Official	2481-82	2492-92.5
Kerb close		2477-8
Open int.	232,186	
Total daily turnover	50,551	

■ LME AM Official £/$ rate: 1.5413

LME Closing £/$ rate: 1.5400

Spot:1.5413 3 mths:1.5405 6 mths:1.5400 9 mths:1.5388

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jul	111.75	+1.35	112.65	111.30	4,541	919
Aug	112.05	+1.35	112.00	112.00	700	35
Sep	112.50	+1.35	113.40	111.95	35,453	9,225
Oct	111.95	+1.30	-	-	322	25
Nov	111.40	+1.30	-	-	245	-
Dec	110.80	+1.25	111.60	110.20	8,546	716
Total					55,844	11,713

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.60-387.00	
Opening	387.40-387.80	
Morning fix	387.80	
Afternoon fix	387.30	
Day's High	388.40-388.80	
Day's Low	386.20-386.60	
Previous close	386.70-387.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.12	6 months	4.63
2 months	4.24	12 months	5.10
3 months	4.31		

Silver Fix	p/troy oz.	US cts equiv.
Spot	350.45	540.75
3 months	354.70	546.95
6 months	359.10	553.60
1 year	370.80	570.35

Gold Coins	$ price	£ equiv.
Krugerrand	382-385	255-257
Maple Leaf	397.30-399.80	-
New Sovereign	92-95	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jul	385.5	-1.2	-	-	244	5
Aug	386.8	-1.2	389.8	386.3	71,361	23,720
Sep	388.4	-1.2	-	-	5,754	173
Oct	390.0	-1.2	393.1	390.0	25,824	547
Dec	393.2	-1.2	396.3	392.5	7,448	-
Feb	396.8	-1.2	399.5	399.5	5,554	-
Total					145,889	24,447

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jul	410.2	-1.5	412.5	408.0	678	280
Oct	413.4	-2.3	420.0	410.5	19,416	8,644
Jan	416.4	-2.6	419.5	415.5	1,840	43
Apr	419.4	-2.6	422.0	419.4	1,400	47
Total					23,334	9,014

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	145.25	-0.90	146.75	143.80	4,598	866
Dec	145.25	-1.15	146.50	144.00	649	48
Mar	145.60	-1.15	145.50	145.00	119	-
Total					5,366	914

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jul	532.1	-8.4	546.0	528.0	1,625	561
Aug	534.7	-8.5	-	-	-	-
Sep	536.5	-8.5	551.5	532.0	79,678	14,861
Dec	543.9	-8.5	558.0	539.0	22,229	864
Jan	545.8	-8.5	-	-	33	-
Mar	552.1	-8.5	559.0	550.0	6,457	156
Total					122,132	16,413

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls, $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	19.39	-0.14	19.53	19.31	92,884	32,190
Sep	18.80	-0.13	18.90	18.75	67,886	18,427
Oct	18.48	-0.17	18.55	18.47	33,317	3,850
Nov	18.30	-0.19	18.41	18.30	29,195	1,563
Dec	18.24	-0.14	18.31	18.20	34,768	5,986
Jan	18.21	-0.09	18.21	18.20	19,632	5,165
Total					406,760	78,425

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	17.35	-0.09	17.51	17.30	59,235	11,279
Sep	17.14	-0.07	17.22	17.10	38,351	7,844
Oct	17.02	-0.06	17.09	16.99	8,921	1,241
Nov	16.92	-0.08	17.00	16.91	8,200	1,143
Dec	16.90	-0.08	16.93	16.89	10,732	226
Jan	16.93	-	-	-	3,506	50
Total					134,779	18,716

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	50.15	-0.63	50.75	49.95	38,404	4,057
Sep	50.75	-0.63	51.10	50.55	18,891	-
Oct	51.70	-0.58	52.00	51.65	12,271	639
Nov	52.50	-0.63	52.75	52.50	7,556	368
Dec	53.35	-0.63	53.80	53.30	16,729	1,861
Jan	53.90	-0.53	54.15	53.90	11,509	806
Total					126,633	18,833

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	152.75	+0.25	153.50	152.00	21,711	5,513
Aug	156.00	+0.50	156.25	154.75	20,335	5,424
Sep	158.25	+0.50	158.00	157.50	9,586	1,157
Oct	161.00	+0.75	161.00	160.25	8,145	940
Nov	163.25	+0.75	163.00	162.25	5,994	885
Dec	165.00	+0.75	164.50	163.75	14,198	219
Total					80,491	13,859

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	2.140	-0.076	2.180	2.126	20,004	5,278
Sep	2.160	-0.045	2.180	2.150	12,296	1,295
Oct	2.175	-0.027	2.185	2.160	10,767	836
Nov	2.250	-0.017	2.266	2.245	11,423	289
Dec	2.340	-0.015	2.350	2.330	14,988	691
Jan	2.340	-0.012	2.345	2.335	10,361	729
Total					114,448	15,108

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Aug	53.55	-0.28	54.10	53.40	47,899	10,278
Sep	53.65	-0.22	54.10	53.46	16,098	1,942
Oct	52.65	-0.02	52.65	52.55	3,570	761
Nov	51.10	-0.35	51.10	51.10	5,808	254
Dec	50.55	-0.50	50.30	50.30	[illegible]	85
Jan	55.80	-0.30	55.80	55.60	1,576	120
Total					81,804	13,468

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	102.95	+0.95	-	-	462	-
Nov	103.70	+1.20	103.70	102.50	2,320	89
Jan	105.70	+1.20	105.70	104.90	1,447	97
Mar	107.30	+1.25	107.30	106.50	480	12
May	108.70	+1.15	108.70	107.65	392	12
Total					5,101	225

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	307/2	-4/4	310/4	305/4	14,220	11,510
Sep	315/6	-5/2	318/4	312/0	92,180	35,295
Dec	329/0	-5/0	332/4	325/2	126,550	25,615
Mar	333/6	-3/4	336/4	330/4	27,345	8,505
May	327/0	-4/0	327/4	326/0	485	5
Jul	321/4	-1/4	323/0	317/4	2,155	625
Total					262,926	81,545

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	237/0	-11/0	243/0	236/4	90,850	42,580
Sep	230/2	-12/0	234/4	230/2	273,425	58,625
Dec	227/6	-11/6	233/0	227/4	606,585	150,710
Mar	236/0	-11/4	240/0	235/4	80,786	11,955
May	241/6	-11/2	244/0	241/6	17,415	5,685
Jul	244/4	-11/2	248/4	244/4	23,030	2,725
Total					1,118	278,328

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	100.65	+1.15	100.65	100.00	202	1
Nov	102.00	+0.90	-	-	397	-
Jan	102.50	+0.75	-	-	28	-
Mar	104.00	+0.50	-	-	38	-
May	105.75	+1.15	-	-	1	-
Total					666	1

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	615/4	-27/4	632/0	612/4	51,515	39,790
Aug	610/6	-29/0	627/4	609/6	146,805	52,910
Sep	592/6	-30/0	609/0	592/6	53,410	15,595
Nov	579/6	-30/0	596/0	579/6	369,280	231,900
Jan	585/4	-30/0	599/0	585/4	35,905	8,740
Mar	591/2	-30/0	607/0	591/2	15,445	2,255
Total					727,245	360,589

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	24.51	-1.07	25.35	24.51	4,932	3,133
Aug	24.67	-1.00	25.36	24.67	18,214	9,159
Sep	24.63	-1.00	25.25	24.63	15,431	3,852
Oct	24.33	-1.00	25.00	24.33	9,985	2,368
Dec	24.11	-1.00	24.70	24.11	29,268	11,923
Jan	24.15	-1.00	24.70	24.15	2,927	285
Total					86,306	31,272

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	181.9	-6.8	186.0	180.2	7,756	3,734
Aug	181.9	-6.5	184.0	180.2	22,095	8,476
Sep	180.8	-6.8	183.5	179.2	15,414	3,096
Oct	178.0	-6.0	181.0	176.7	7,021	1,226
Dec	176.8	-6.8	180.0	174.9	18,600	7,657
Jan	177.5	-6.5	180.5	175.9	1,693	180
Total					76,194	24,953

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	160.5	+1.2	164.0	160.0	865	205
May	181.5	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					865	205

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1319	+10	1320	1316	747	38
Aug	1294	+2	1299	1295	534	7
Sep	1335	+15	-	-	-	-
Oct	1363	-1	1363	1350	491	2
Jan	1378	+1	-	-	235	-
Apr	1391	-8	-	-	169	-
Total					2,176	47

	Close	Prev
BFI	1352	1360

Minor Metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 4,100-4,200 (3,600-3,800). Bismuth: min. 99.99%, tonne lots 2.30-2.50 (2.30-2.45). Cadmium: min. 99.5%, 67-77 cents a pound. Cobalt: MB free market, 99.8%, 23.20-24.00 (23.60-24.50); 99.3%, 19.10-19.80 (18.90-19.60). Mercury: min. 99.99%, $ per 76 lb flask, 105-125. Molybdenum: drummed molybdic oxide, 3.40-3.50. Selenium: min 99.5%, 3.50-4.45. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 37-47. Vanadium: min. 98%, cif, 1.40-1.60. Uranium: Nuexco exchange value, 7.10 (7.00).

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	978	-13	996	979	2,273	176
Sep	995	-18	1015	993	17,646	1,996
Dec	1005	-14	1022	1004	27,173	1,583
Mar	1024	-13	1040	1022	30,530	859
May	1033	-13	1050	1034	11,008	121
Jul	1042	-11	1050	1048	3,456	66
Total					102,289	5,001

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1294	-12	1310	1289	277	39
Sep	1321	-12	1345	1315	35,495	5,284
Dec	1364	-11	1386	1356	13,095	1,161
Mar	1394	-16	1419	1394	7,468	216
May	1418	-16	-	-	3,121	-
Jul	1440	-16	-	-	2,330	-
Total					67,514	6,701

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Jul 4		
Daily	-	1013.53
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	3046	+35	3074	3025	1,677	98
Sep	3074	+22	3095	3030	20,779	2,426
Nov	3081	+22	3100	3050	8,492	533
Jan	3080	+22	3098	3045	8,955	668
Mar	3083	-10	3090	3055	3,458	123
May	3055	-15	3070	3035	381	10
Total					43,806	3,858

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	184.70	-8.75	187.30	183.75	527	211
Sep	188.35	-8.80	190.50	185.65	27,356	8,058
Dec	177.20	+8.00	177.20	177.20	11,689	663
Mar	177.10	+9.00	177.10	177.10	7,633	460
May	178.50	+9.00	178.50	178.50	1,101	27
Jul	178.00	+9.00	-	-	285	-
Total					48,859	8,838

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Jul 4		
Comp. daily	-	173.12
15 day average	-	137.78

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.98	-0.04	-	-	1,122	-
Jan	11.82	-	-	-	-	-
Mar	11.57	-0.18	-	-	60	-
Total					1,182	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	337.80	-7.20	343.00	337.00	10,322	1,250
Oct	316.80	-4.50	321.50	316.80	10,862	341
Dec	313.30	-3.50	316.40	313.30	929	67
Mar	309.50	-3.40	312.40	309.50	3,378	129
May	308.80	-3.30	311.70	308.80	380	50
Aug	308.00	-3.40	-	-	342	-
Total					26,262	1,837

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	11.67	-0.19	11.88	11.62	66,096	8,073
Mar	11.40	-0.19	11.59	11.38	28,665	1,522
May	11.37	-0.13	11.51	11.35	4,581	422
Jul	11.30	-0.15	11.40	11.28	2,059	105
Oct	11.27	-0.15	-	-	871	10
Mar	11.29	-0.15	-	-	81	-
Total					102,373	10,132

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	69.30	-0.55	71.00	68.10	771	315
Oct	69.95	-0.33	70.70	68.85	5	7
Dec	69.95	-0.30	70.75	68.89	8,533	1,068
Mar	71.35	-0.32	72.10	70.34	26,742	5,687
May	72.04	-0.36	72.90	70.95	5,636	523
Jul	72.90	-0.40	73.80	72.03	3,000	482
Total					46,970	8,483

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	85.70	+0.45	86.10	85.10	2,383	40
Sep	90.00	+0.36	90.50	88.35	14,223	21
Nov	93.05	+0.55	93.50	92.70	2,945	397
Jan	96.40	+0.15	97.00	96.00	3,737	276
Mar	99.75	+0.50	99.75	98.50	2,255	53
May	102.50	+1.00	102.50	101.50	137	2
Total					26,358	789

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 5	Jul 4	month ago	year ago
2089.0	2085.8	1957.2	1679.9

■ CRB Futures (Base: 4/6/56=100)

Jul 4	Jul 1	month ago	year ago
-	230.03	228.84	-

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	63.875	-0.575	65.000	63.750	33,683	6,344
Oct	68.050	-0.225	68.650	68.000	19,056	4,179
Dec	68.650	-0.225	69.125	68.600	11,640	1,486
Feb	68.675	-0.200	69.150	68.600	8,103	1,792
Apr	70.100	-	70.550	70.075	5,101	1,771
Jun	67.000	-	67.100	67.000	820	84
Total					79,498	15,656

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	44.625	-0.950	45.300	44.550	3,616	248
Aug	42.650	-1.200	43.950	42.550	9,262	518
Oct	39.750	-1.500	40.900	39.750	5,412	201
Dec	40.000	-1.225	40.800	39.850	3,527	75
Feb	39.750	-1.100	40.300	39.750	900	53
Apr	39.325	-0.375	39.500	39.125	645	284
Total					23,789	1,384

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	34.075	-1.225	35.250	33.950	1,424	52
Aug	33.600	-1.625	34.900	33.225	4,890	221
Feb	41.525	-1.800	42.675	41.325	1,479	56
Mar	41.050	-1.050	42.100	40.700	61	8
May	43.300	-2.000	43.500	43.300	36	1
Jul	46.200	-	-	-	27	2
Total					7,716	339

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1500	41	87	38	64
1525	30	75	52	78
1550	21	64	68	89
■ COPPER (Grade A) LME	Oct	Dec	Oct	Dec
2300	183	187	56	45
2400	100	126	64	82
2500	43	79	82	133
■ COFFEE LCE	Sep	Nov	Sep	Nov
2500	704	778	130	197
2550	670	746	148	215
2600	637	716	163	235
■ COCOA LCE	Sep	Dec	Sep	Dec
975	59	93	39	63
1000	46	80	51	76
1050	26	60	83	105
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1650	-	-	2	29
1700	-	67	7	47
1750	21	41	24	73

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct)

		+or-
Dubai	$16.13-6.21q	+0.120
Brent Blend (dated)	$17.18-7.22	-0.160
Brent Blend (Aug)	$17.48-7.52	+0.030
W.T.I. (1pm est)	$19.59-9.61	+0.045

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$180-182	-0.5
Gas Oil	$153-154	+0.5
Heavy Fuel Oil	$88-90	
Naphtha	$162-164	-1
Jet fuel	$165-167	+2

Petroleum Argus Estimates

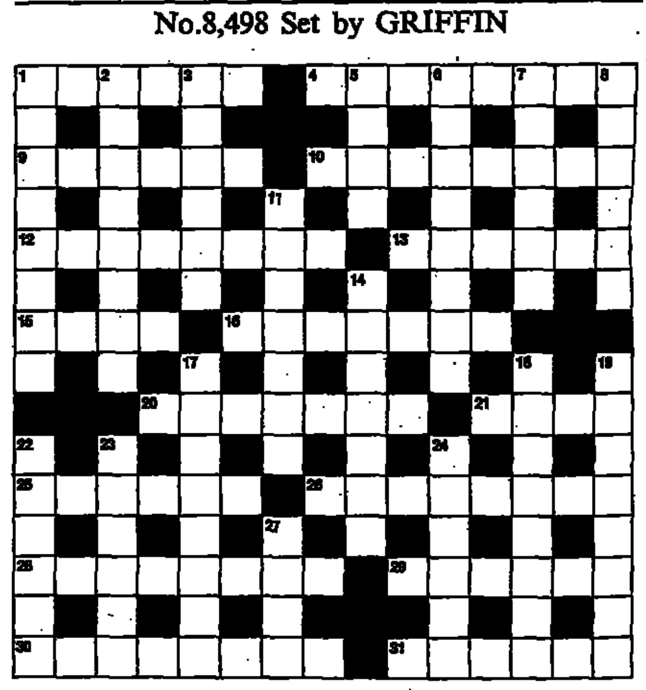
■ OTHER

Gold (per troy oz)♣	$386.80	-0.15
Silver (per troy oz)♣	539.50c	-0.50
Platinum (per troy oz.)	$412.25	+2.25
Palladium (per troy oz.)	$143.75	
Copper (US prod.)	115.0c	+3.0
Lead (US prod.)	35.75c	
Tin (Kuala Lumpur)	13.60m	-0.15
Tin (New York)	248.50c	+1.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	117.78p	-2.34*
Sheep (live weight)†♠	98.98p	+3.14*
Pigs (live weight)	78.06p	-2.01*
Lon. day sugar (raw)	$298.5	
Lon. day sugar (wte)	$347.0	-1.0
Tate & Lyle export	£307.0	+1.0
Barley (Eng. feed)	£100.5t	
Maize (US No3 Yellow)	$143.5	
Wheat (US Dark North)	£180.0	
Rubber (Jul)♥	81.75p	+0.50
Rubber (Aug)♥	81.50p	+0.50
Rubber (KL RSS No1 Jul)	302.5m	+1.5
Coconut Oil (Phil)§	$597.5z	-5.0
Palm Oil (Malay.)§	467.5q	-2.5
Copra (Phil)§	$387	
Soyabeans (US)	£180.0q	
Cotton Outlook 'A' index	81.75c	
Woolltops (64s Super)	426p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t July/Aug. q Aug. z Jun/Jul. w July. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,498 Set by GRIFFIN



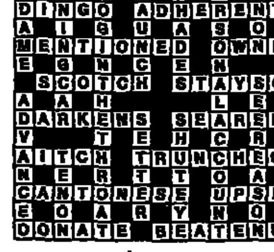
ACROSS

1 Bill for advertising something? (6)
4 Conservative in good French holiday town (8)
9 Slap Elsie for hiding part of coat (6)
10 Theatre company wants muesli mixture (8)
12 Plan to obtain retirement and wander around (8)
13 Back before time enraged by injury (6)
15 Swindles church out of food (4)
16 Give one in pine, perhaps (7)
20 Proud to have imprisoned evil scoundrel (7)
21 Travel free on Eastbourne front (4)
25 Out dancing is able to get bird (6)
26 Wastes food cooked in batter (8)
28 Head of Relate reaches disaster investigation (8)
29 One who gets the game moving? (6)
30 Set point needed; difficult to finish without (8)
31 Kept inside for test or educational use (6)

DOWN

1 Cultured Italian flower I left in workshop (8)
2 Distinct area pets disturb (8)
3 The oil damaged an early tool (6)
5 Source of decay round hole (4)
6 Grating spice into it, pulled a face (8)
7 To step up requires part of shoe (6)
8 Song having less feeling? (6)
11 US soldier backs excellent base (7)
14 Arrive shattered, outside top Irish coastal region (7)
17 Car six years outside someone's house (8)
18 Aim to go topless for man on board (8)
19 Considered having to check size of front door (8)
22 Cunning way to start showing stiffness (6)
23 Soldier from America in rash move (6)
24 Swear volunteers must stand trial (6)
27 Accountant turned up there without the port! (4)

Solution 8,497



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Good rally at the close of a nervous session

By Terry Byland, UK Stock Market Editor

A nervous day which had been spent waiting for the US Federal Open Market Committee to meet closed with a good rally in UK equities as early losses in British government bonds were reduced. A firm opening on Wall Street as US markets returned from the Independence Day holiday helped sentiment but London remained nervous that the Federal Reserve might raise its key interest rates without waiting for this weekend's meeting of G7 ministers.

A fall of more than 25 points on the FT-SE 100 Index at mid-afternoon was reduced significantly in later trading. At the close the index stood at 2,965 for a loss of only 5.4 on the day. At the high of the session it reached 2,978.2 but the stock market was then undermined by weakness in UK gilt-edged securities. The FT-SE Mid 250 Index, less closely linked to the derivatives markets, finished 5.4 up at 3,435.8.

Uncertainty ahead of the G7 meeting was fuelled by reports that the German Finance Ministry would not propose the dollar exchange rate for discussion at Naples. The market's next hurdle is on Thursday when the Bundesbank meets.

The final picture was somewhat mixed, with evidence of selective buying interest in several sectors of the market. However, there was little immediate response to comments on the domestic outlook from Mr Kenneth Clarke, the UK chancellor of the exchequer. Late firmness in the Dow Industrial Average, which was 20 points up in UK hours, showed chiefly in a firm oil share sector.

Account Dealing Dates		
*First Dealings:		
Jun 20	Jul 4	Jul 18**
Option Declarations:		
Jun 30	Jul 14	Jul 28
Last Dealings:		
Jul 1	Jul 15	n/a
Account Day:		
Jul 11	Jul 25	n/a

*New time dealings may take place from two days earlier. **New 10-day settlement system starts

It was a slack day for data on the UK economy but analysts commented that today's UK industrial production statistics for May will be keenly examined for signs of further expansion in the core manufacturing sectors. The April production figures sparked a firmer trend in UK equities.

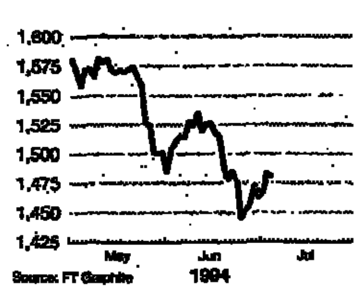
Trading volume, as measured by the Stock Exchange Seaq electronic network, remained low, with the day's share trading at 481.5m shares, against 483.3m in the previous session. On Monday, retail, or genuine customer, business was worth only £991m, an unexciting total by comparison with this year's average figures.

The strategy team at Nikko, the Japanese based securities house, commented that markets are currently being dominated by futures instruments and featured by high volatility on low volume. It echoes other market firms in stating that equities offer "good value" at present levels but that any solid rally is unlikely until the British government bond market can stage a genuine recovery.

Strauss Turnbull warns against undue pessimism over the implications of dollar weakness on UK equities. The firm says that British equities are now around 12 per cent lower in dollar terms this year, while the rest of Europe is only some 2 per cent down. This situation, says Strauss, has in the recent past been a trigger for overseas, and especially US, investors to regard the UK stock market as undervalued.

Although UK stocks have been marking time while waiting for the Federal Reserve, the Bank of Japan, the Bundesbank and the G7 countries to resolve the dollar's problems, the undertone in the equity market appears to have held firm. Some traders believe this would provide the base for a good advance in share prices if the US currency and the bond markets can be settled down.

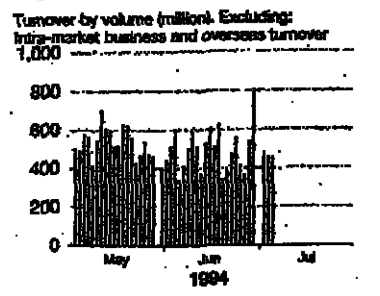
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	2965.0	-5.4	FT Ordinary index	2320.5	-3.9
FT-SE Mid 250	3435.8	+5.4	FT-SE-A Non Fins p/e	18.79	(18.61)
FT-SE-A 350	1491.7	-1.6	FT-SE 100 Fut Sep	2959.0	-26.0
FT-SE-A All-Share	1481.61	-1.42	10 yr Gilt yield	8.73	(8.70)
FT-SE-A All-Share yield	3.98	(3.98)	Long gilt/equity yld ratio:	2.21	(2.20)

Best performing sectors		Worst performing sectors	
1 Engineering, Vehicles	+1.2	1 Gas Distribution	-1.4
2 Property	+1.1	2 Retailers, Food	-1.2
3 Merchant Banks	+0.7	3 Household Goods	-1.0
4 Life Assurance	+0.7	4 Electricity	-0.8
5 Transport	+0.5	5 Leisure & Hotels	-0.6

Wellcome finds US support

US buying was the motor behind a sharp rise in the price of Wellcome, and some dealers suggested that the pharmaceuticals group was only the most publicised of a number of UK stocks attracting US attention recently. "The US led the market down, and now that they are worried about their own interest rates they could be ready to put money back in," said one senior international marketmaker.

Dealers said US buyers of Wellcome were active in the London markets for American Depositary Receipts and underlying shares as well as the New York ADRs. The interest was fuelled by chart-based analysts at BNP Securities seeing the stock bounce to 700p if a short term resistance at 618p is cleared. The shares rose 16 to 608p but the volume of 7.9m was flattered by the second half of a tax-related bed and breakfast deal – 6.8m shares dealt at 560p.

SmithKline Beecham's position as the most heavily traded stock in London was also indicative of bed and breakfast dealing.

Dixons uncertain

Uncertainty ahead of full year figures from Dixons, the high street retail group, and speculation of an investigation into trading practices saw the shares dip 5 to 170p.

Dixons is forecast to announce a profit of between £70m and £82m, up from £35m last time, but the provisions could be quite high, especially in relation to the recent sale of 100 of its Curry's electrical stores. The write-down for Curry's is forecast at around £20m but some analysts feel it could be substantially higher.

Also, there was a rumour that the Office of Fair Trading was planning an inquiry into the pricing of white goods such as fridges and washing machines.

Courtaulds support

Chemicals group Courtaulds benefited from a market reappraisal as one analyst saw it as a switch opportunity.

Smith New Court has put flesh on the bones of its recent forecast upgrades with a piece of research pointing out the extent of the global recovery within the industry. Analyst Mr Charles Lambert said: "We think the stock looks temporarily oversold and we would see a 10 per cent upside. It is a buy on its own merits but BOC looks well up with events, and investors who do not want to commit further funds to the sector might want to switch." The shares ended 12 up at 497p and BOC eased 3 to 702p.

BZW, the investment bank, was largely responsible for the strong outperformance of the merchant banks against the market, telling its clients that the sector had been oversold.

Hambros and Kleinwort Benson were the two best individual performers, the latter closing 8 higher at 442p, after 447p, and the former 5 better at 276p, after 283p. BZW said Hambros was substantially oversold, underperforming by 13 per cent over one month and 25 per cent over the past quarter.

The investment bank also pointed out that Hambros traded at a 10 per cent discount to its 300p a share asset valuation, and offered an attractive yield of 7.5 per cent and price/earnings ratio of 9 times. Kleinwort, BZW said, offered good dividend cover and looked cheap on a price/earnings basis.

SG Warburg, whose shares have been unsettled by Enterprise Oil's failure in its attempt to takeover Lasmo – Warburg advised Enterprise – edged up to 699p early in the session but later slipped back to close only a fraction ahead at 694p.

The insurance sectors burst into life, with Commercial Union following Monday's 11 gain with a rise of 18 to 536p amid strong suggestions that it is about to withdraw from or reduce the terms of its acquisition of Groupe Victoire, the French insurance group, from Compagnie de Suez, Victoire's parent.

Dealers also said that there had been a split order in CU shares yesterday, which had pushed the stock price sharply higher.

Elsewhere in composites, Sun Alliance held up well, closing only a penny off at 306p, with stories still circulating that a bid in the sector may not be too far away.

HSBC eased 5 to 689p, with the market beginning to focus on the possibility that the bank could be lining up a sizeable overseas acquisition. There have been strong rumours that HSBC has taken a hard look at ANZ Bank. Another story suggested that HSBC was considering taking a sizeable stake in Nedcor, the South African bank.

RMC was again the pacemaker in a building sector continuing to respond to Monday's good news from the Builders Merchants Federation.

The stock was also given a strong push by James Capel, the leading UK agency broker, which increased its earnings forecast. For the current year Capel is going for £235m, up from £208m, and for 1995 for £275m, against £245m. RMC shares closed 15 higher at 878p.

Builders merchants were featured by Meyer International, up 13 at 417p, after 419p, with BZW recommending the stock.

CAMAS, the construction materials business demerged from English China Clays on June 1, rose 5 to 77p, helped by a broker's recommendation.

Brewer Scottish & Newcastle was buffeted by differing opinions following Monday's figures. Two UK houses were advising clients to sell and one US investment bank was advising a switch into Bass, which rose 6 to 520p.

Meanwhile, one of the City's leading securities houses took the opportunity to pick up 400,000 "special ex" shares for its own pension fund, and the support for a thinly traded stock saw Scottish rebound from its low of 492p to close 2 off at 499p.

Unilever added 3 at 971p as one of its subsidiaries announced a disposal and SGST reiterated its long term buy stance.

A stock overhang weakened several motor dealers. Cowie relinquished 10 to 249p, while Lex Service eased 8 to 421p. A squeeze boosted engineering group GKN, leaving the shares 5 ahead at 571p. A clutch of broker's recommendations helped components group T&N gain 7 at 231p.

News that GEC has reopened talks on buying Thorn EMI's defence businesses boosted trading in both stocks. GEC, which reports figures tomorrow, closed 3 ahead at 294p, while Thorn put on 2 to 1001p after trade of 1.2m.

The honour of being the day's best performing stock in the FT-SE 100 went to British Airways, whose shares jumped 12 to 392p on volume of 6.6m, after it released better than anticipated traffic figures for the month of June.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (7).
ELECTRNC & ELECT EQUP (5) Fujitsu, Microvitec, NEC, TDK, TGI, EXTRACTIVE INDS (1) Impala Plat., TEXTILES & APPAREL (1) Toray.
NEW LOWS (101).
GILTS (4) BANKS (1) Banco Bilbao Vizcaya, BREWERIES (3) Greenalls, Scottish & New., United, BUILDING & CNSTRN (4) Berkeley, Cussins, Jarvis, McAlpine (A), BLDG MATLS & MCHTS (2) Breedon, Sycamore, DISTRIBUTORS (6) Abacus, Appleyard, Bletchley, Cowie, European Motor, Nightfreight, DIVERSIFIED INDLS (1) Tomkins 5¹⁄₂pc Pf., ELECTRNC & ELECT EQUP (4) Astec (BSR), Azlan, Denka Bus., Industrial Control, ENGINEERING (5) Bullough, Concentric, Hay (N), Hunting, TransTec, ENG, VEHICLES (1) Syltone, EXTRACTIVE INDS (4) Ashanti, Hamlo, Orion, Petaling, FOOD MANUF (1) Nichols (V), HEALTH CARE (2) London Intl., Takara, HOUSEHOLD GOODS (2) Lionheart, Mayborn, INSURANCE (3) Archer, Independent, Meadhead, INVESTMENT TRUSTS (10) Eaglet, Finsbury Growth, First Spanish, JF Asia Select, Do Indonesia Fd., Morgan Grenfell Equity Inc., Scottish Asian Pfg., Shires, US Smaller Co's, Warrants & Value, INVESTMENT COMPANIES (3) Environmental, JF Philippine Fd., Jakarta Fd., LEISURE & HOTELS (6) Brent Walker, City Centre Restaurants, Ladbroke, Prism, St James Beach Hotel, MEDIA (4) Aveeco, Blenheim, Pearson, SelecTV, OIL EXPLORATION & PROD (5) Evergreen, Hardy, Sunrise Energy, OTHER FINANCIAL (1) BWD, OTHER SERVS & BUSNS (1) Cape Range, PRTNG, PAPER & PACKG (2) Ferry Pickering, Sidlaw, PROPERTY (4) Development Secs., Mountview, Savills, Specialty Shops, RETAILERS, FOOD (1) M & W, RETAILERS, GENERAL (7) Betterware, DFS, Dixons, Do (Net) Pf., Hamleys, QS, Rosebys, SPIRITS, WINES & CIDERS (1) Guinness, SUPPORT SERVS (5) Computerised Fin., Hogg Robinson, Oxford Molecular, Pegasus, Waterman Part., TEXTILES & APPAREL (4) Caldwell, Lamont, Leslie Wise, Sherwood, TRANSPORT (2) Seacon, Transport Dev., WATER (1) York, AMERICANS (2) Varity, Whirlpool, CANADIANS (2) Dorian, Hawker Siddeley.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures closed well ahead of the day's lows after a firm Wall Street steadied a nervous London market awaiting news on US interest rates, *writes Joel Kibazo*.

The opening level of the September futures contract on the FT-SE 100 was at 2,984, below expectations, and it seemed to set the tone for the next few hours.

With little in the way of UK economic data on which to focus, dealers once again chose to focus on the decline in the European bond markets which sent the contract drifting lower. A US investment bank was said to have been one of the big sellers during the morning, as were several other US houses, as the market waited for news from the US.

Having fallen to a low of 2,935 after lunch, the upward direction of US bonds and the firm opening on Wall Street which followed helped to steady nerves in London, leading to a bounce in the contract. It ended at 2,959, down 28 from its previous close, at a discount to cash and around 9 points below its estimated fair value premium to cash of 5 points. Volume was low at 14,101.

Turnover in traded options improved from Monday's poor levels to reach 24,819. Most of the activity was in index options, the FT-SE 100 seeing 10,534 lots dealt and the Euro FT-SE 4,724. Lasmo was the most active stock option with a total of 2,566 trades.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2984.0	2959.0	-28.0	2987.0	2935.0	14101	50281
Dec	-	2987.5	-27.5	-	-	0	952

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3436.0	-	-	-	0	4432

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3425.0	-	-	-	-	636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*2963) £10 per full index point

	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P
Jul	163	5	114	8	73	17½	39	35½	17½	66½	7	108½	2½	151½	1	201½
Aug	183½	28½	147	41½	112	56½	84	78½	60½	105	40	134½	26½	171	15½	211
Sep	204	44½	167½	58	133½	74½	104	94½	78	119½	58	148½	41	182	28	219
Oct	219½	59½	182½	71½	152½	91	124	112	100	138½	81	168½	62½	200½	50½	238½
Dec†	242	75½			180	113½			127½	160			85½	218½		

Calls 5,885 Puts 4,979

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2775 C	2775 P	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P
Jul	189½	3½	133½	6	90½	12	53½	24½	28½	48½	11	83	4	125½	1	73½
Aug	199½	20½	160½	31½	125½	46	94½	65	68½	88½	47½	117	31	150½	19½	188
Sep			184	51½			119	85½			68	133½			33½	197½
Dec			229	90			165½	124			114	170			73	227
Mar†			262½	108½			202½	144½			152	190½			110	245

Calls 970 Puts 4,056 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3300	3350	3400	3450	3500	3550	3600	3650
Jul	2 78	7 84	21 18	47½ 6	85½ 1½			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Jul 5	Day's chge%	Jul 4	Jul 1	Jun 30	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	2965.0	-0.2	2970.4	2956.4	2919.2	2848.1	4.18	7.08	16.71	53.57	1109.22
FT-SE Mid 250	3435.8	+0.2	3430.4	3415.8	3414.1	3232.1	3.61	5.93	20.34	58.09	1270.03
FT-SE Mid 250 ex Inv Trusts	3438.2	+0.2	3431.4	3418.8	3414.9	3251.3	3.77	6.41	18.94	60.26	1267.66
FT-SE-A 350	1491.7	-0.1	1493.3	1478.7	1471.8	1426.2	4.05	6.81	17.42	26.56	1142.36
FT-SE SmallCap	1779.16	......	1778.79	1777.85	1780.84	1642.72	3.16	4.22	30.16	23.88	1368.83
FT-SE SmallCap ex Inv Trusts	1757.12	......	1756.98	1758.63	1760.19	1646.73	3.33	4.63	28.00	24.55	1356.04
FT-SE-A ALL-SHARE	1481.61	-0.1	1483.03	1469.48	1463.35	1413.02	3.98	6.63	17.97	25.93	1154.25

■ FT-SE Actuaries All-Share

	Jul 5	Day's chge%	Jul 4	Jul 1	Jun 30	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(16)	2587.80	-0.4	2597.21	2582.48	2566.64	2189.40	3.53	4.53	27.73	37.93	1028.29
12 Extractive Industries(4)	3724.30	-0.5	3744.25	3734.29	3713.50	3155.20	3.56	5.43	23.12	43.39	1016.34
15 Oil, Integrated(3)	2543.20	-0.3	2551.80	2533.21	2519.00	2096.30	3.62	4.66	26.69	40.43	1032.04
16 Oil Exploration & Prod(11)	1852.23	-0.3	1858.45	1865.94	1842.31	1927.20	2.61	1.24	80.00†	16.27	1062.00
20 GEN MANUFACTURERS(263)	1927.74	+0.1	1926.67	1905.25	1892.35	1768.10	3.92	4.76	25.93	32.76	972.66
21 Building & Construction(32)	1154.58	-0.3	1157.73	1141.88	1140.30	1039.90	3.34	4.62	27.80	16.51	896.89
22 Building Matls & Merchs(31)	1894.10	+0.1	1891.47	1840.59	1830.72	1635.40	3.88	4.21	29.86	36.07	896.57
23 Chemicals(22)	2339.50	-0.1	2342.67	2333.05	2309.57	2134.70	3.98	4.08	31.92	46.59	1029.32
24 Diversified Industrials(16)	1926.47	-0.2	1929.70	1904.28	1885.97	1854.80	4.72	4.67	26.52	40.00	974.16
25 Electronic & Elect Equip(34)	1925.32	+0.3	1920.30	1909.96	1883.47	1980.30	3.82	6.75	18.03	14.74	922.45
26 Engineering(70)	1788.54	+0.2	1785.02	1774.45	1771.43	1541.60	3.14	4.84	24.84	28.48	1016.79
27 Engineering, Vehicles(12)	2228.12	+1.2	2202.57	2178.51	2162.40	1788.40	4.70	2.31	59.86	33.62	1086.31
28 Printing, Paper & Pckg(26)	2739.46	-0.3	2746.66	2723.76	2715.79	2301.40	3.05	5.19	22.84	38.89	1069.87
29 Textiles & Apparel(20)	1642.84	+0.4	1636.20	1639.67	1643.67	1802.80	4.02	6.18	19.94	30.60	924.07
30 CONSUMER GOODS(97)	2573.88	......	2572.88	2558.08	2553.51	2629.70	4.53	7.83	14.95	54.87	877.15
31 Breweries(17)	2113.53	+0.1	2112.19	2103.59	2103.38	1981.60	4.47	7.99	15.38	37.26	940.64
32 Spirits, Wines & Ciders(10)	2697.05	-0.3	2704.39	2707.89	2704.57	2766.10	4.10	7.14	16.23	70.76	903.64
33 Food Manufacturers(23)	2138.82	-0.1	2141.07	2126.97	2118.43	2233.60	4.48	8.28	14.02	49.07	893.02
34 Household Goods(13)	2376.97	-1.0	2401.78	2397.40	2388.62	2198.20	3.70	7.77	15.35	41.72	847.31
36 Health Care(21)	1586.88	-0.2	1592.64	1584.16	1583.32	1696.00	3.09	3.19	64.44	25.71	916.51
37 Pharmaceuticals(12)	2806.91	+0.5	2794.13	2765.63	2762.60	2845.50	4.54	7.79	14.80	47.20	878.34
38 Tobacco(1)	3380.80	-0.1	3385.00	3338.86	3355.64	3677.00	6.28	10.08	11.33	102.35	752.84
40 SERVICES(221)	1875.33	-0.2	1879.35	1863.36	1860.13	1792.20	3.25	6.34	18.89	28.21	914.87
41 Distributors(31)	2618.98	......	2619.31	2639.22	2648.44	2628.80	3.40	6.62	17.79	42.86	901.01
42 Leisure & Hotels(24)	2003.15	-0.6	2015.63	2015.43	2015.89	1848.70	3.65	4.93	23.67	21.94	976.25
43 Media(39)	2746.09	+0.3	2738.84	2696.05	2689.91	2397.20	2.38	5.39	21.72	39.34	948.85
44 Retailers, Food(17)	1613.59	-1.2	1633.11	1604.94	1612.21	1826.80	3.96	9.97	12.39	32.67	960.11
45 Retailers, General(45)	1641.94	-0.2	1645.14	1633.55	1624.21	1496.70	3.13	6.38	19.63	25.70	872.85
48 Support Services(40)	1493.50	-0.5	1500.38	1497.40	1494.42	1579.90	2.76	6.29	18.69	19.69	903.73
49 Transport(16)	2245.14	+0.5	2232.89	2208.99	2202.79	2067.30	3.74	5.23	20.73	31.86	874.22
51 Other Services & Business(9)	1146.44	+0.2	1143.62	1136.37	1131.82	1219.90	4.28	2.97	55.57	12.93	977.46
60 UTILITIES(38)	2184.14	-0.4	2191.83	2173.43	2168.23	2146.20	4.82	8.52	14.23	32.14	829.27
62 Electricity(17)	2128.86	-0.6	2142.03	2166.45	2170.91	1805.20	4.30	11.43	10.32	32.67	868.47
64 Gas Distribution(2)	1784.71	-1.4	1810.30	1770.93	1783.72	1939.20	6.71	‡	‡	53.43	815.63
66 Telecommunications(4)	1931.46	+0.2	1928.08	1894.33	1896.58	2017.90	4.26	8.04	15.13	8.50	807.88
68 Water(13)	1657.76	-0.3	1663.38	1645.42	1621.83	1629.50	5.86	14.17	7.72	52.62	827.12
69 NON-FINANCIALS(635)	1600.83	-0.1	1602.87	1589.38	1583.98	1524.66	3.99	6.41	18.79	26.96	1120.14
70 FINANCIALS(104)	2097.35	+0.1	2096.00	2086.50	2047.58	2045.30	4.30	8.77	13.13	46.73	822.88
71 Banks(10)	2682.13	-0.4	2702.01	2688.50	2642.21	2522.60	4.03	9.13	12.46	59.07	797.31
73 Insurance(17)	1207.30	+0.1	1205.94	1176.32	1158.80	1405.90	5.35	11.94	9.36	29.30	817.05
74 Life Assurance(6)	2304.28	+0.7	2287.57	2229.38	2203.28	2596.90	5.39	7.90	15.55	68.38	874.76
75 Merchant Banks(6)	2675.68	+0.7	2655.96	2638.56	2647.95	2542.40	3.74	12.34	9.44	55.68	803.10
77 Other Financial(24)	1754.01	+0.1	1752.83	1753.91	1757.70	1536.20	3.93	8.41	14.20	34.27	930.88
79 Property(41)	1536.25	+1.1	1519.51	1503.18	1492.19	1349.90	3.92	3.91	31.95	27.98	874.89
80 INVESTMENT TRUSTS(123)	2651.11	-0.1	2653.16	2642.70	2643.20	2349.10	2.26	1.94	52.27	30.00	886.61
89 FT-SE-A ALL-SHARE(862)	1481.61	-0.1	1483.03	1469.48	1463.35	1413.02	3.98	6.63	17.97	25.93	1154.25

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2972.7	2967.4	2961.0	2952.2	2949.1	2945.4	2949.7	2951.2	2963.0	2978.2	2945.3
FT-SE Mid 250	3434.0	3437.0	3434.5	3432.3	3432.5	3431.6	3431.2	3431.8	3435.0	3438.2	3430.2
FT-SE-A 350	1494.6	1492.6	1490.1	1486.4	1485.2	1483.7	1485.3	1486.0	1490.9	1497.1	1483.7

Time of FT-SE 100 High 8.44am Low 12.41pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1104.6	1104.9	1103.6	1101.5	1101.4	1101.1	1101.5	1101.3	1100.9	1101.3	1105.3	-4.0
Pharmaceuticls	2773.0	2762.0	2761.9	2758.8	2755.2	2749.4	2750.0	2756.2	2777.4	2782.2	2769.4	+12.8
Water	1661.2	1658.8	1654.9	1649.9	1652.8	1652.6	1651.4	1651.1	1656.2	1656.1	1660.9	-5.8
Banks	2735.0	2723.5	2718.8	2710.4	2708.1	2702.5	2710.4	2708.6	2718.0	2725.6	2735.6	-10.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	4,400	53¾	-¼
Abbey National†	1,000	407	
Albert Fisher	967	47	+½
Allied-Lyons†	1,100	549	+4
Anglian Water	810	483	-1
Argos	33	347	+3
Argyll Group†	3,600	235	-1½
Arjo Wiggins†	229	269½	-2
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Sep	Dec	Mar	Sep	Dec	Mar
[illegible]							
Fisons	130	16	19½	23	7	12	14½
(*137)	140	11	14½	17½	12½	17	18½

Option		Aug	Nov	Feb	Aug	Nov	Feb
Brit Aero	460	25	48	61½	20½	41	50
(*462)	500	10½	32	45	46	65	73
BAT Inds	390	22½	34	44	11½	21½	24
(*403)	420	8½	22	29	31	38½	42
BTR	360	17	28½	35	7½	17½	21½
(*368)	390	4½	13	21½	28	35	38½
Brit Telecom	360	21½	27½	31½	7½	14½	22
(*377)	390	4½	13½	18½	28	32½	39
Cadbury Sch	420	16½	28½	36	11½	22½	25
(*422)	460	3½	13	19½	41	49½	51
Eastern Elec	550	49	58½	78½	8½	22	30
(*496)	600	14	33	46½	33½	46½	55½
Guinness	420	25	36	43½	6	14	18½
(*436)	460	5½	16½	23½	28½	35½	41
GEC	280	16	22	28½	6	11½	15
(*294)	300	4½	12½	17	18½	23	28½

Option							
[illegible]							
(*170)	180	4	8	12	30½	34½	36
Thorn EMI	950	84½	86½	98½	32½	47½	61
(*996)	1000	35½	60	73½	58½	72½	86½
TSB	200	13	18	22	12½	15½	19
(*201)	220	5½	10½	14	27	28	32½
Tomkins	200	20½	25	28	6½	9½	13
(*213)	220	9½	15	18	17½	21	24
Wellcome	600	45	61	74	30	43½	51½
(*611)	650	24½	38½	52	58½	72	80½

Option		Jul	Oct	Jan	Jul	Oct	Jan
Glaxo	550	21	39½	50	15	44	51½
(*552)	600	4	18½	39	51	77½	84½
HSBC 75p shs	650	52½	78½	97½	9½	38	50
(*688)	700	22	54	73½	30½	60½	73½
Reuters	450	16½	33	-	11½	25	-
(*456)	482	10½	27	-	17½	31½	-

Option		Aug	Nov	Feb	Aug	Nov	Feb
Rolls-Royce	180	8	17	21	8	14½	17½
(*180)	200	2½	9	13	22½	28	30

* Underlying security price. Premiums shown are based on closing offer prices.
July 5. Total contracts: 25,101 Calls: 12,174 Puts: 12,927

FT GOLD MINES INDEX

	Jul 4	% chg on day	Jul 1	Jun 30	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (36)	1924.04	+0.7	1911.43	1909.93	2014.25	2.12	2367.40	1522.66
■ Regional Indices								
Africa (16)	2858.56	+1.7	2809.44	2768.96	2762.04	4.70	3440.80	1902.23
Australasia (8)	2448.04	+2.3	2391.92	2482.89	2339.23	2.10	3013.89	1883.18
North America (12)	1573.12	-0.3	1577.89	1576.87	1752.58	0.69	2039.65	1383.00

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: July 4 : 226.3; day's change: +4.5 points; Year ago: 226.2 † Partial. Latest prices were unavailable for this edition. US market closed 4/7/94.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	56	12
Other Fixed Interest	2	11	2
Mineral Extraction	42	71	87
General Manufacturers	116	125	414
Consumer Goods	34	37	120
Services	77	95	335
Utilities	9	25	11
Financials	69	91	210
Investment Trusts	74	58	336
Others	19	40	74
Totals	446	609	1601

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	June 27	Last Declarations	Sept 29
Last Dealings	July 8	For settlement	Oct 10

Calls: Birkdale, Crossroads Oil, Bibby (J), Electron House, Proteus, Sthn Business Grp, Willis Corroon. Puts & Calls: LASMO, Warburg (SG).

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§120	F.P.	68.0	123	115½	Aero. Hamble	119		W3.74	2.6	3.9	11.8
161	F.P.	46.1	166	160	Amey	165		LN1.08	0.8	5.4	29.9
255	F.P.	141.1	267	253	Argent	257	+1	-	-	-	-
100	F.P.	31.6	104	99½	Baillie Gifrd Shn C	102		-	-	-	-
§40	F.P.-	16.4	45	43	Biocure	45		-	-	-	-
105	F.P.	9.44	110	105	Bloomsbury Pb	110		WN2.94	2.7	3.3	11.2
§150	F.P.	28.2	154	136	Brewin Dolphin	137		L5.8	2.3	5.3	10.1
150	F.P.	17.4	160	158	CPL Aromas	160		LN3.0	2.4	2.3	15.3
[illegible]											

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1994 High	1994 Low	Stock	Closing price p	+or-
255	Nil	9/8	6pm	3½pm	Assoc Nursing	3½pm	-1½
-	Nil	13/8	105pm	92pm	Charter	97pm	-1
240	Nil	29/7	130pm	30pm	Eidos	60pm	
-	Nil	17/8	235pm	2pm	Euro-Disney	2pm	-3
265	Nil	14/7	65pm	3½pm	Eurotunnel	10pm	
425	Nil	1/8	69pm	55pm	Faber Prest	55pm	
68	Nil	9/8	40pm	33pm	Hawtal Whiting	38pm	
24	Nil	25/7	2¾pm	2½pm	Helene	2¾pm	
70	Nil	19/8	12pm	11pm	London Intl.	12pm	
105	Nil	-	5pm	3pm	Oriel	4pm	
9	Nil	3/8	¾pm	¾pm	Paramount	¾pm	
15	Nil	25/7	2pm	1½pm	Quiligotti	1½pm	
130	Nil	14/7	28pm	10pm	Ricardo	10pm	
73	Nil	5/8	3pm	¼pm	Wates City of Lon	¼pm	

FINANCIAL TIMES EQUITY INDICES

	July 5	July 4	July 1	June 30	June 29	Yr ago	*High	*Low
Ordinary Share	2320.5	2324.4	2295.4	2276.8	2298.1	2235.0	2713.6	2240.6
Ord. div. yield	4.33	4.33	4.37	4.40	4.36	4.12	4.46	3.43
Earn. yld. % full	5.77	5.76	5.82	5.87	5.81	4.91	5.95	3.92
P/E ratio net	18.45	18.47	18.28	18.14	18.32	26.09	33.43	17.89
P/E ratio nil	19.19	19.21	19.01	18.86	19.06	24.18	30.80	18.61

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2327.2	2326.0	2317.4	2313.5	2311.1	2307.2	2309.3	2310.8	2317.4	2333.5	2307.0

	July 5	July 4	July 1	June 30	June 29	Yr ago
SEAQ bargains	19,496	21,849	24,097	23,148	20,891	23,837
Equity turnover (£m)†	-	991.0	943.5	1285.0	1037.0	958.8
Equity bargains†	-	23,580	28,154	24,124	27,884	28,069
Shares traded (ml)†	-	463.8	465.0	484.8	810.2	451.0

† Excluding intra-market business and overseas turnover.

BANKS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL, INTEGRATED

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

TRANSPORT - Cont.

SUPPORT SERVICES

WATER

OTHER FINANCIAL

AMERICANS

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

OTHER INVESTMENT TRUSTS

TEXTILES & APPAREL

RETAILERS, FOOD

SOUTH AFRICANS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27¼	—	£27½	£13½	1,774	2.7	19.9
Barlow	Z	647½xd	—	657¼	234¼	971.3	0.7	–
Gold Flds Prop R		99	—	106	76	10.1	10.1	8.8
MK Props	s	85	—	95	85	3.42	10.5	34.9
SASOL		342	+3	382	280	1,838	4.5	–
SA Brews		£12	+¼	£15¼	£10	6,481	2.3	19.6
Tiger Oats	†	638xd	+25	838	536	968.4	2.5	13.6
Tongaat-Hulett		649xc	–17	739¼	427½	485.7	2.4	18.1

INVESTMENT COMPANIES

PHARMACEUTICALS

MERCHANT BANKS

PRINTING, PAPER & PACKAGING

RETAILERS, GENERAL

TOBACCO

OIL EXPLORATION & PRODUCTION

TRANSPORT

LEISURE & HOTELS

PROPERTY

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ✠ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✳ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IIMR 'Headline Earnings'. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT4894. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availabilty.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the *FT Managed Funds Service.*

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F

Abbey Life Assurance Co Ltd

Canada Life Group - Contd.

Family Life Assurance Ltd

Friends Provident

Century Life Plc

Irish Life Assurance Co Plc

M & G Life and M & G Pensions

National Westminster Life Assce Ltd - Contd.

Prudential Corporate Pension Funds

Whittingdale Unit Tst Mgmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

CAF – Charity Money Management

CSM Bolt Trust Managers Ltd

Cent. Bd. of Fin. of Church of England‡

Charities Official Inv Fd‡

Charity Fixed Int Fd/Charity Equity Fd

Edinburgh Fund Mngrs PLC

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Equitable plc - Contd.

Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

Sun Alliance Group - Contd.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Bank of Canada Intl Fd Mgt Ltd				
Sterling Fxd Int DGT	93.60	94.70	-0.2	7.29
International Bond †	$1.100	1.167	-0.5	5.14
(Prices on Jun 28 Next dealing Jul 5)				
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
For Royal Trust see Royal Bank of Canada				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Scrimgeour Kemp-Gee Mngmt., Jersey				
TSB Trust Funds (CI)				
Warburg Asset Management Jersey Ltd				
Worldinvest (Managers) Jersey Ltd				
Valued weekly. * Mondays † Wednesdays.				

LUXEMBOURG (SIB RECOGNISED)

Fleming Group - Contd.

Foreign & Colonial Emerging Markets Ltd (u)

Exchange Ho, Primrose St, Ldn, EC2A 2NY 071-628 1234

Frontrunner I (u)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

7 rue du Marche-aux-Herbes L-1728 Luxembourg

S.G. Warburg Asset Mngmt Lux SA

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

JERSEY

CURRENCIES AND MONEY

MARKETS REPORT

Dollar vigil continues

The dollar weakened by over a pfennig yesterday as markets continued their dollar vigil amid a raft of key policy meetings culminating in the weekend G7 summit in Naples, *writes Philip Gawith.*

The growing consensus in the market that no dollar support package is likely to emerge weakened the US currency which closed in London at DM1.5826 from DM1.5965. Against the yen it finished at Y98.825 from Y98.9.

Elsewhere in Europe the high-yielding currencies - particularly the Italian lira, the Belgian franc and the Swedish krona - were under pressure as markets focused on their large budget deficits.

Sterling closed at DM2.438, a nine month low, as the weak dollar dragged it down against the German currency.

The South African financial rand - the foreign investment currency - closed at R4.845 against the dollar from R4.725 after it emerged that the influential finance minister, Mr Derek Keys, would be resigning later this year.

■ As the Federal Open Market Committee, the policy making arm of the Fed started its meeting, markets were increasingly sceptical of the prospect of any supportive rate moves either in the US or Germany.

The Bundesbank council meets tomorrow, and dollar bulls were hoping that lower German rates, in tandem with a tightening of US policy, might bolster the currency.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the market was starting to get short of dollars. He said comments from senior financial officials, downplaying the prospect of concerted intervention, had encouraged the markets to sell dollars.

Mr Theo Waigel, for example, the German finance minister, said Germany would not propose the dollar's exchange rate as a subject for discussion at the Naples summit.

Mr Neil MacKinnon, chief economist at Citibank in London, said the market was, if anything, faced with a yen crisis, not a dollar crisis. He noted that the dollar was actually stronger against the currencies of its two main trading partners - Canada and Mexico.

The dollar is also in the middle of its recent trading range against the D-Mark, between the all-time low around DM1.40, and the high this year of DM1.77.

Mr MacKinnon said that inasmuch as central banks were concerned with the dollar, it was because of "perceived adverse affects on global financial markets." He noted, however, that there are numerous fundamental reasons why, for example, US bond yields should have risen this year. These include fears about future inflation, a global capital shortage and the role of leveraged investors.

The Citibank analyst said, therefore, that he was "not convinced that intervention and higher interest rates will strengthen the dollar - and even if they do, that a stronger dollar will undo the damage that we have seen in the bond markets."

Although the dollar is trending weaker, Mr Hawkins said the market was wary about selling it aggressively short for fear of being caught in a bear trap, where concerted central bank intervention would move the currency sharply higher.

■ The Swedish krona slipped sharply after comments from the finance minister downgrading the GDP forecast, and raising the budget deficit forecast from SKr150bn to SKr160bn.

These bad economic numbers come against a complicated political backdrop, with general elections scheduled in September and the country facing a potentially difficult referendum on joining the European Union.

The krona closed at SKr4.955 from SKr4.890 against the D-Mark. Mr MacKinnon of Citibank said it was certainly possible that the krona would again slip to the low of SKr5.05 that it touched last year.

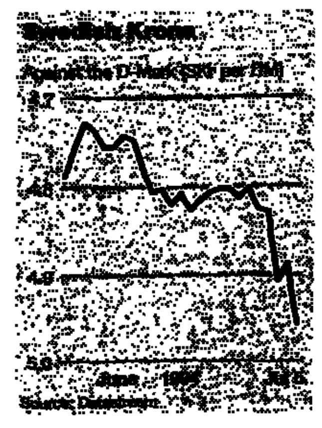
Two other European countries with large budget deficits, Italy and Belgium, also saw their currencies weaken. The lira fell back to L993.8 against the D-Mark from L990.6 while the Belgian franc slipped to BFr20.63 from BFr20.61. Analysts said the move in the Belgian franc was large considering the tight trading range the currency normally occupies.

■ The financial rand finished at R4.845 against the dollar, from R4.725 on Monday. But traders noted that the currency had bounced off a low of R4.95-8, with some investors sensing value at these lower levels.

The focus of the market now is on who will succeed Mr Keys. Market speculation favours Mr Conrad Strauss, chairman of the Standard Bank group, whose appointment will probably calm market nerves.

■ Activity in the futures markets remained fairly subdued with trading ranges narrow at the short end of the market. The December eurosterling contract finished unchanged at 93.73, while the December euromark contract closed at 94.95 from 94.97.

The Bank of England provided late assistance of £540m to UK money markets after forecasting a £900m shortage. Earlier the Bank had provided £187m liquidity to the market.



■ Pound in New York

Jul 5	Latest	Prev. close
£ spot	1.5435	1.5380
1 mth	1.5429	1.5375
3 mth	1.5425	1.5370
1 yr	1.5368	1.5335

■ OTHER CURRENCIES

Jul 5	£	$
Hungary	156.839 - 157.054	101.830 - 101.930
Iran	2680.60 - 2683.00	1748.00 - 1750.00
Kuwait	0.4558 - 0.4570	0.2958 - 0.2966
Poland	34531.3 - 34608.4	22420.0 - 22469.0
Russia	3076.36 - 3081.80	1997.00 - 2000.00
U.A.E.	5.6481 - 5.6595	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1465	-0.1223	393 - 537	17.3037	17.1365	17.1427	0.3	17.1371	0.2	-	-	114.9
Belgium	(BFr)	50.2973	-0.3144	567 - 379	50.6690	50.2550	50.2873	0.2	50.3323	-0.3	50.3623	-0.1	116.2
Denmark	(DKr)	9.5727	-0.0613	693 - 761	9.6546	9.5690	9.5797	-0.9	9.5964	-1.0	9.6256	-0.6	116.9
Finland	(FM)	8.0746	-0.0276	653 - 838	8.1750	8.0650	-	-	-	-	-	-	82.1
France	(FFr)	8.3565	-0.0594	533 - 596	8.4276	8.3580	8.3606	-0.6	8.3677	-0.5	8.3475	0.1	108.3
Germany	(DM)	2.4380	-0.018	371 - 388	2.4604	2.4363	2.4379	0.0	2.4371	0.1	2.4158	0.9	125.3
Greece	(Dr)	367.179	-2.794	876 - 481	370.644	366.825	-	-	-	-	-	-	-
Ireland	(I£)	1.0092	-0.0093	083 - 100	1.0136	1.0083	1.0096	-0.5	1.0104	-0.5	1.0119	-0.3	104.7
Italy	(L)	2423.33	-9.34	220 - 445	2434.22	2421.43	2430.95	-3.8	2444.28	-3.5	2494.53	-2.9	78.9
Luxembourg	(LFr)	50.2973	-0.3144	567 - 379	50.6690	50.2550	50.2873	0.2	50.3323	-0.3	50.3623	-0.1	116.2
Netherlands	(Fl)	2.7345	-0.0187	332 - 357	2.7597	2.7324	2.7345	0.0	2.7338	0.1	2.7115	0.8	120.3
Norway	(NKr)	10.6761	-0.0455	725 - 797	10.7407	10.6723	10.6709	0.6	10.683	-0.3	10.6742	0.0	96.2
Portugal	(Es)	251.206	-1.619	093 - 335	253.247	251.076	252.184	-4.7	254.129	-4.6	-	-	-
Spain	(Pta)	201.290	-1.165	212 - 367	202.644	201.212	201.76	-2.8	202.635	-2.7	205.465	-2.1	85.9
Sweden	(SKr)	12.0616	+0.0782	732 - 900	12.1711	11.9649	12.1046	-2.3	12.1396	-1.9	12.2376	-1.3	73.0
Switzerland	(SFr)	2.0459	-0.0153	448 - 470	2.0680	2.0438	2.0447	0.7	2.0418	0.8	2.0174	1.4	121.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.4
Ecu	-	1.2755	-0.007	750 - 760	1.2854	1.2750	1.2764	-0.9	1.2728	0.9	1.2786	-0.2	-
SDR†	-	0.942258	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5374	+0.0022	370 - 377	1.5413	1.5330	-	-	-	-	-	-	-
Brazil	(R)	1.4311	-0.0111	293 - 329	1.4345	1.4290	-	-	-	-	-	-	-
Canada	(C$)	2.1394	+0.0068	384 - 403	2.1437	2.1302	2.1412	-1.0	2.1468	-1.3	2.1767	-1.7	85.5
Mexico (New Peso)		5.2330	+0.008	281 - 378	5.2420	5.1608	-	-	-	-	-	-	-
USA	($)	1.5405	+0.0021	402 - 408	1.5445	1.5362	1.54	0.4	1.5387	0.2	1.5358	0.3	63.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1218	+0.0132	208 - 229	2.1273	2.1032	2.1211	0.4	2.1195	0.4	2.1185	0.2	-
Hong Kong	(HK$)	11.9053	+0.0161	022 - 084	11.9367	11.8724	11.8972	0.8	11.8934	0.4	11.9202	-0.1	-
India	(Rs)	48.3236	+0.0694	084 - 387	48.4470	48.1940	-	-	-	-	-	-	-
Japan	(Y)	152.240	+0.087	172 - 308	153.440	152.170	151.85	3.1	151.045	3.1	146.76	3.6	191.7
Malaysia	(M$)	4.0131	+0.0048	115 - 146	4.0231	4.0018	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5963	+0.0201	947 - 979	2.6020	2.5758	2.5958	0.3	2.5991	-0.4	2.6057	-0.4	-
Philippines	(Peso)	41.5996	+0.0581	774 - 098	42.2967	41.2077	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7776	+0.0079	762 - 789	5.7923	5.7617	-	-	-	-	-	-	-
Singapore	(S$)	2.3449	+0.0033	440 - 457	2.3500	2.3367	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6417	+0.0178	394 - 440	5.6481	5.6159	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.4636	+0.1951	469 - 806	7.5916	7.2891	-	-	-	-	-	-	-
South Korea	(Won)	1240.72	+0.12	032 - 111	1243.79	1237.56	-	-	-	-	-	-	-
Taiwan	(T$)	41.2157	+0.2229	926 - 387	41.3077	40.9034	-	-	-	-	-	-	-
Thailand	(Bt)	38.4971	+0.0075	742 - 200	38.6130	38.4680	-	-	-	-	-	-	-

†SDR rate for Jul 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.1305	-0.095	280 - 330	11.2455	11.1330	11.135	-0.5	11.143	-0.4	11.0805	0.4	103.9
Belgium	(BFr)	32.6500	-0.25	300 - 700	32.9450	32.6300	32.668	-0.7	32.7025	-0.6	32.71	-0.2	105.3
Denmark	(DKr)	6.2140	-0.0485	130 - 150	6.2753	6.2130	6.2215	-1.4	6.2355	-1.4	6.274	-1.0	104.9
Finland	(FM)	5.2415	-0.0254	365 - 465	5.3117	5.2365	5.244	-0.6	5.2485	-0.5	5.294	-1.0	76.1
France	(FFr)	5.4245	-0.0462	235 - 255	5.4735	5.4235	5.429	-1.0	5.4343	-0.7	5.4158	0.2	105.4
Germany	(D)	1.5826	-0.0139	823 - 828	1.5968	1.5820	1.5831	-0.4	1.5832	-0.1	1.5736	0.6	106.1
Greece	(Dr)	238.350	-2.15	200 - 500	240.800	238.200	238.7	-6.8	240.55	-3.7	242.85	-1.9	69.2
Ireland	(I£)	1.5265	+0.0056	255 - 275	1.5283	1.5176	1.5254	0.9	1.5236	0.8	1.5177	0.6	-
Italy	(L)	1573.06	-8.27	265 - 350	1581.35	1572.65	1578.53	-4.2	1587.83	-3.7	1578.18	-0.3	78.6
Luxembourg	(LFr)	32.6500	-0.25	300 - 700	32.9450	32.6300	32.668	-0.7	32.7025	-0.6	32.71	-0.2	105.3
Netherlands	(Fl)	1.7751	-0.0146	746 - 755	1.7899	1.7746	1.7757	-0.4	1.7757	-0.1	1.7666	0.5	106.1
Norway	(NKr)	6.9303	-0.0392	293 - 313	6.9813	6.9295	6.9338	-0.6	6.9418	-0.7	6.8868	0.6	96.2
Portugal	(Es)	163.070	-1.26	020 - 120	164.530	163.000	164.37	-9.6	166.57	-8.6	172.82	-6.0	93.9
Spain	(Pta)	130.665	-0.94	640 - 690	131.550	130.600	131.05	-3.5	131.665	-3.1	133.995	-2.5	80.9
Sweden	(SKr)	7.8427	+0.0386	387 - 466	7.8962	7.7775	7.8612	-2.8	7.8937	-2.6	8.0357	-2.5	79.0
Switzerland	(SFr)	1.3281	-0.0118	276 - 285	1.3438	1.3275	1.3277	0.3	1.3262	0.6	1.3127	1.2	106.5
UK	(£)	1.5405	+0.0021	402 - 408	1.5445	1.5362	1.54	0.4	1.5397	0.2	1.5358	0.3	88.0
Ecu	-	1.2078	+0.0063	075 - 080	1.2080	1.1961	1.2064	1.3	1.2046	1.1	1.2142	-0.5	-
SDR†	-	1.44467	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9980	-	979 - 980	0.9980	0.9979	-	-	-	-	-	-	-
Brazil	(R)	0.9290	-0.0085	280 - 300	0.9370	0.9300	-	-	-	-	-	-	-
Canada	(C$)	1.3888	+0.0025	884 - 891	1.3903	1.3862	1.3906	-1.6	1.3944	-1.6	1.4174	-2.1	82.6
Mexico (New Peso)		3.3969	+0.0004	944 - 994	3.3994	3.3490	3.3979	-0.4	3.3997	-0.3	3.4071	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3773	+0.0066	768 - 778	1.3795	1.3686	1.3776	-0.3	1.3777	-0.1	1.3814	-0.3	86.3
Hong Kong	(HK$)	7.7282	-0.0003	277 - 287	7.7287	7.7277	7.7277	0.1	7.7302	-0.1	7.7444	-0.2	-
India	(Rs)	31.3688	+0.0013	650 - 725	31.3750	31.3650	31.4488	-3.1	31.5938	-2.9	-	-	-
Japan	(Y)	98.8250	-0.075	000 - 500	99.6800	98.7500	98.59	2.9	98.12	2.9	95.485	3.4	152.3
Malaysia	(M$)	2.6050	-0.0006	045 - 055	2.6060	2.6038	2.5975	3.5	2.594	1.7	2.625	-0.8	-
New Zealand	(NZ$)	1.6854	+0.0106	846 - 861	1.6863	1.6753	1.6873	-1.3	1.6919	-1.5	1.7136	-1.7	-
Philippines	(Peso)	27.0000	-	000 - 000	27.2000	26.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	503 - 508	3.7506	3.7503	3.7511	-0.2	3.7531	-0.3	3.7658	-0.4	-
Singapore	(S$)	1.5222	-0.0014	219 - 224	1.5229	1.5210	1.5214	0.6	1.5211	0.3	1.5232	-0.1	-
S Africa (Com.)	(R)	3.6623	+0.0065	615 - 630	3.6630	3.6450	3.6778	-5.1	3.7061	-4.8	3.7828	-3.3	-
S Africa (Fin.)	(R)	4.8450	+0.12	350 - 550	4.9200	4.7400	4.8787	-8.4	4.9375	-7.6	-	-	-
South Korea	(Won)	805.400	-1.05	300 - 500	807.100	805.300	808.4	-4.5	811.9	-3.2	830.4	-3.1	-
Taiwan	(T$)	26.7548	+0.1075	450 - 645	26.7645	26.5900	26.7748	-0.9	26.8148	-0.9	-	-	-
Thailand	(Bt)	24.9900	-0.03	800 - 000	25.0900	24.9800	25.0625	-3.5	25.19	-3.2	25.67	-2.7	-

†SDR rate for Jul 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 1. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.03	16.61	4.847	2.006	4817	5.437	21.21	499.4	400.2	24.02	4.068	1.988	4.252	3.064	302.6	2.537
Denmark	(DKr)	52.54	10	8.729	2.547	1.054	2531	2.857	11.15	262.4	210.3	12.62	2.137	1.045	2.234	1.610	159.0	1.333
France	(FFr)	60.20	11.46	10	2.918	1.208	2900	3.273	12.77	300.6	240.9	14.46	2.449	1.197	2.560	1.844	182.1	1.527
Germany	(DM)	20.63	3.927	3.427	1	0.414	993.8	1.122	4.377	103.0	82.57	4.955	0.839	0.410	0.877	0.632	62.43	0.523
Ireland	(I£)	49.85	9.488	8.281	2.416	1	2401	2.711	10.57	249.0	199.5	11.97	2.028	0.991	2.120	1.527	150.8	1.265
Italy	(L)	2.076	0.395	0.345	0.101	0.042	100.	0.113	0.440	10.37	8.308	0.499	0.084	0.041	0.088	0.064	6.281	0.053
Netherlands	(Fl)	18.39	3.500	3.055	0.891	0.369	885.9	1	3.901	91.85	73.60	4.417	0.748	0.366	0.782	0.563	55.65	0.467
Norway	(NKr)	47.14	8.972	7.831	2.285	0.946	2271	2.563	10	235.4	188.7	11.32	1.918	0.937	2.005	1.444	142.6	1.196
Portugal	(Es)	20.02	3.811	3.326	0.971	0.402	964.6	1.089	4.248	100.	80.14	4.809	0.814	0.398	0.852	0.613	60.59	0.508
Spain	(Pta)	24.99	4.756	4.151	1.211	0.501	1204	1.359	5.301	124.8	100.	6.001	1.016	0.497	1.063	0.766	75.61	0.634
Sweden	(SKr)	41.64	7.925	6.917	2.018	0.835	2006	2.264	8.833	207.9	166.6	10	1.694	0.828	1.771	1.276	126.0	1.056
Switzerland	(SFr)	24.58	4.679	4.084	1.192	0.493	1184	1.337	5.215	122.8	98.39	5.904	1	0.489	1.045	0.753	74.39	0.624
UK	(£)	50.30	9.573	8.356	2.438	1.009	2423	2.735	10.67	251.2	201.3	12.08	2.046	1	2.139	1.541	152.2	1.276
Canada	(C$)	23.52	4.475	3.906	1.140	0.472	1133	1.279	4.988	117.4	94.11	5.647	0.957	0.468	1	0.720	71.15	0.597
US	($)	32.64	6.212	5.422	1.582	0.655	1572	1.775	6.924	163.0	130.6	7.839	1.328	0.649	1.388	1	98.77	0.828
Japan	(Y)	330.5	62.90	54.90	16.02	6.629	15920	17.97	70.11	1650	1323	79.37	13.44	6.570	14.05	10.12	1000.	8.384
Ecu		39.42	7.502	6.549	1.911	0.791	1899	2.143	8.362	196.9	157.8	9.467	1.603	0.784	1.676	1.206	119.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6258	0.6306	+0.0035	0.6311	0.6253	25,609	86,269
Dec	0.6306	0.6312	+0.0033	0.6318	0.6306	160	2,827
Mar	0.6319	0.6319	+0.0025	0.6319	0.6319	30	698

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0175	1.0176	-0.0026	1.0187	1.0094	26,94	64,836
Dec	1.0205	1.0262	-0.0024	1.0269	1.0205	715	3,668
Mar	1.0350	1.0363	-0.0025	1.0363	1.0348	17	667

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7475	0.7525	+0.0040	0.7529	0.7461	12,632	48,417
Dec	0.7529	0.7541	+0.0021	0.7541	0.7525	27	940
Mar	-	0.7531	-0.0021	-	-	2	10

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5398	1.5420	+0.0034	1.5430	1.5370	6,763	38,057
Dec	1.5410	1.5420	+0.0038	1.5420	1.5410	18	418
Mar	-	1.5400	-	1.5400	-	17	148

EMS EUROPEAN CURRENCY UNIT RATES

Jul 5	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15428	-0.00171	-1.93	4.66	-
Ireland	0.808628	0.795147	+0.002969	-1.67	4.38	11
Belgium	40.2123	39.5839	-0.0259	-1.56	4.27	11
Germany	1.94964	1.92063	-0.00183	-1.49	4.19	-
France	6.53883	6.58330	+0.00036	0.68	1.95	-6
Denmark	7.43679	7.54150	-0.00207	1.41	1.22	-10
Portugal	192.854	197.656	-0.26	2.49	0.15	-17
Spain	154.250	158.324	-0.095	2.64	0.00	-18
NON ERM MEMBERS						
Greece	264.513	289.518	-0.295	9.45	-6.22	-
Italy	1793.19	1905.42	+0.89	6.26	-3.40	-
UK	0.786749	0.785448	+0.0029	-0.17	2.81	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.450	9.08	9.07	9.18	-	0.01	0.20
1.475	6.64	6.76	7.04	-	0.13	0.50
1.500	4.20	4.59	5.11	0.01	0.45	0.98
1.525	2.05	2.76	3.46	0.31	1.11	1.80
1.550	0.60	1.48	2.19	1.35	2.27	2.97
1.575	0.09	0.68	1.28	3.29	3.90	4.54

Previous day's vol., Calls N/A Puts N/A. Prev. day's open int., Calls N/A Puts N/A

WORLD INTEREST RATES

MONEY RATES

July 5	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5	5¼	5½	5⅝	6⅛	7.40	4.50	-
week ago	5⅛	5¼	5½	5¾	6⅛	7.40	4.50	-
France	5⅝	5⅝	5⅝	5¾	6⅛	5.10	-	6.75
week ago	5⅝	5⅝	5⅝	5¾	6⅛	5.20	-	6.75
Germany	5.05	4.95	4.95	4.95	5.12	6.00	4.50	5.05
week ago	4.95	4.95	4.95	4.95	5.13	6.00	4.50	5.05
Ireland	5⅛	5⅞	5⅞	6⅛	6⅞	-	-	6.25
week ago	5⅛	5⅞	5⅞	5⅞	6⅛	-	-	6.25
Italy	8	8¼	8⅝	8⅝	9⅛	-	7.00	8.00
week ago	8	8¼	8¼	8½	9⅛	-	7.00	7.85
Netherlands	4.97	4.97	4.99	5.06	5.23	-	5.25	-
week ago	4.94	4.97	4.99	5.07	5.25	-	5.25	-
Switzerland	4⅛	4⅛	4⅛	4⅞	4⅞	6.625	3.50	-
week ago	3⅝	4¼	4⅛	4⅝	4⅝	6.625	3.50	-
US	4⅝	4⅞	4⅞	5¼	5⅝	-	3.50	-
week ago	4¼	4⅞	4⅞	5⅛	5⅝	-	3.50	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4⅝	4⅞	5⅛	5⅝	-	-	-
week ago	-	4⅝	4⅞	5⅛	5⅝	-	-	-
US Dollar CDs	-	4.45	4.74	5.04	5.61	-	-	-
week ago	-	4.45	4.53	4.88	5.47	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅝	4	-	-	-
week ago	-	3⅝	3⅝	3⅝	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅛; 3 mths: 5⅝; 6 mths: 6; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 4⅞	5⅛ - 4⅞	5¼ - 5⅛	5⅜ - 5⅞	5⅞ - 5⅞	6⅛ - 5⅞
Danish Krone	5⅞ - 5⅛	5⅞ - 5½	5⅞ - 5⅞	6¼ - 6	6⅝ - 6⅝	6⅞ - 6⅞
D-Mark	5¼ - 5⅛	5⅛ - 5	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞	5¼ - 5⅛
Dutch Guilder	5 - 4⅞	5 - 4⅞	4⅞ - 4⅞	5 - 4⅞	5⅛ - 5	5¼ - 5⅛
French Franc	5½ - 5⅜	5½ - 5⅜	5½ - 5⅜	5⅝ - 5½	5⅞ - 5⅝	6⅛ - 5⅞
Portuguese Esc.	13½ - 13	14 - 13⅝	14½ - 13	13¾ - 13¼	12⅞ - 12¼	12½ - 11¾
Spanish Peseta	7½ - 7⅞	7⅞ - 7⅜	7⅝ - 7½	7⅞ - 7⅞	8⅛ - 7⅞	8⅞ - 8⅞
Sterling	5⅛ - 5	5 - 4⅞	5⅛ - 4⅞	5⅜ - 5¼	5⅞ - 5⅝	6¼ - 6⅛
Swiss Franc	4¼ - 4	4¼ - 4	4⅜ - 4⅜	4⅞ - 4⅞	4⅞ - 4⅞	4⅝ - 4½
Can. Dollar	5⅞ - 5½	5⅞ - 5⅝	6⅞ - 5⅞	6⅞ - 6⅞	7⅞ - 7⅞	8⅛ - 7⅞
US Dollar	4⅝ - 4¼	4⅝ - 4⅞	4⅝ - 4½	4⅞ - 4⅞	5⅜ - 5⅜	5⅞ - 5¾
Italian Lira	9 - 7½	8¼ - 7¾	8⅞ - 8⅞	8½ - 8⅜	8⅞ - 8⅝	9⅛ - 9
Yen	2⅛ - 2	2⅛ - 2	2⅛ - 2	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4⅞ - 4⅜	4¾ - 4⅝	5⅜ - 5⅛	5⅞ - 5⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.38	94.39	-0.01	94.40	94.34	9,208	57,192
Dec	94.12	94.16	-0.04	94.20	94.09	7,687	39,410
Mar	93.84	93.91	-0.05	93.95	93.81	4,667	32,735
Jun	93.58	93.65	-0.06	93.68	93.55	2,262	24,152

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.69	94.68	+0.03	94.70	94.67	90	2367
Dec	94.00	93.98	+0.02	94.00	93.97	65	1997
Mar	93.70	93.70	+0.03	93.70	93.68	28	1274
Jun	-	93.40	+0.03	-	-	0	380

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.14	95.14	-	95.15	95.12	11756	189806
Dec	94.97	94.95	-0.02	94.97	94.92	28234	192698
Mar	94.69	94.67	-0.02	94.69	94.63	15891	178241
Jun	94.37	94.35	-0.03	94.36	94.32	11956	98533

■ THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.40	91.34	-0.01	91.42	91.25	6831	36946
Dec	91.10	91.02	-0.03	91.12	90.97	3532	45478
Mar	90.78	90.70	-0.02	90.78	90.64	1145	12544
Jun	90.26	90.21	+0.01	90.29	90.16	615	9495

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.66	95.66	-0.01	95.69	95.64	1996	26968
Dec	95.44	95.41	-0.03	95.44	95.40	1158	9790
Mar	95.11	95.09	-0.02	95.11	95.06	184	9658
Jun	94.77	94.76	-	94.78	94.74	110	1344

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.05	94.00	-0.04	94.05	93.98	495	11281
Dec	93.81	93.77	-0.04	93.81	93.74	140	6193
Mar	93.49	93.47	-0.02	93.49	93.43	171	3757
Jun	93.07	93.08	-0.04	93.08	93.07	38	827

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.68	94.66	+0.02	94.70	94.66	62,607	442,903
Dec	93.98	93.97	+0.02	94.00	93.96	96,432	411,305
Mar	93.69	93.68	+0.02	93.70	93.67	56,014	307,926

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.20	95.13	+0.01	95.20	95.12	952	21,816
Dec	94.55	94.56	+0.02	94.56	94.55	148	8,933
Mar	94.24	94.24	-	94.26	94.24	72	1,347

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9500	0.15	0.17	0.20	0.21	0.01	0.03	0.06	0.26
9525	0.02	0.04	0.07	0.11	0.13	0.15	0.18	0.41
9550	0	0.01	0.02	0.06	0.36	0.37	0.38	0.61

Est. vol. total, Calls 985 Puts 3896. Previous day's open int., Calls 220097 Puts 149505

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9550	0.24	0.19	0.19	0.08	0.28	0.60
9575	0.10	0.10	0.12	0.19	0.44	0.78
9600	0.04	0.05	0.06	0.38	0.64	0.97

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 305 Puts 1026

UK INTEREST RATES

LONDON MONEY RATES

Jul 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 4¾	5⅛ - 4⅞	5⅛ - 4⅞	5⅜ - 5⅛	5⅞ - 5⅝	6¼ - 6⅛
Sterling CDs	-	-	5 - 4⅞	5⅛ - 5⅛	5⅝ - 5½	6⅛ - 6
Treasury Bills	-	-	4⅞ - 4⅞	4⅞ - 4⅞	-	-
Bank Bills	-	-	4⅞ - 4⅞	5 - 4⅞	5⅞ - 5¼	-
Local authority deps.	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - 5	5⅜ - 5⅛	5⅝ - 5½	6⅛ - 6
Discount Market deps	5⅜ - 4¼	4⅞ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3⅝	3½	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.9622pc. ECGD fixed rate Stlg. Export Finance. Make up day June 30, 1994. Agreed rate for period Jul 26, 1994 to Aug 25, 1994, Schemes II & III 6.44pc. Reference rate for period Jun 1, 1994 to June 30, 1994, Schemes IV & V 5.1570pc. Finance House Base Rate 5½pc from July 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.41	94.41	-	94.43	94.39	9378	104953
Dec	93.75	93.73	-	93.75	93.70	14812	142934
Mar	93.09	93.07	+0.01	93.09	93.01	3617	86673
Jun	92.45	92.47	-0.01	92.47	92.42	1789	51771

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.26	0.13	0.08	0.10	0.65	1.26
9450	0.10	0.07	0.05	0.19	0.84	1.48
9475	0.03	0.04	0.02	0.37	1.06	1.70

Est. vol. total, Calls 2432 Puts 2451. Previous day's open int., Calls 200354 Puts 167266

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25	* In administration	
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, July 5, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Oki Electric	14.0m	817	+22	Hitachi	7.4m	1100	+20
Mitsubishi Oil	12.2m	1120		Sharp	7.0m	1890	+30
Mitsubishi Hvy	10.8m	811	+7	Sanyo Elec	6.9m	589	+9
Toshiba	8.4m	830	+18	Fujitsu	6.8m	1140	+10
Japan Energy	7.8m	471	+11	Tamura Elec Wks	5.9m	1070	+78

INDICES

US INDICES

Dow Jones	Jul 1	Jun 30	Jun 29	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3646.65	3624.96	3667.05	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.11	97.16	97.27	105.61 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1610.47	1595.68	1605.61	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	178.16	177.17	178.16	227.86 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3675.79 (3683.56) Low 3611.04 (3610.72) (Theoretical♣)
Day's high 3650.54 (3675.47) Low 3623.02 (3623.02) (Actual♣)

Standard and Poors	Jul 1	Jun 30	Jun 29	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	446.20	444.27	447.63	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	518.84	516.40	520.71	580.58 (2/2)	510.05 (21/4)	580.58 (2/2/94)	3.62 (21/6/32)
Financial	44.53	44.18	44.75	48.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	246.34	245.16	246.72	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	424.72	424.68	423.48	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	706.85	705.96	704.01	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 1	Jun 24	Jun 17	Year ago
Dow Jones Ind. Div. Yield	2.79	2.75	2.65	2.86
	Jun 29	Jun 22	Jun 15	Year ago
S & P Ind. Div. yield	2.49	2.46	2.42	2.55
S & P Ind. P/E ratio	23.10	23.19	23.51	25.04

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	440.80	445.75	-0.75	447.20	445.00	47,083	194,946
Dec	449.00	449.30	-	449.15	448.20	398	10,759
Mar	-	451.70	-	452.50	451.70	27	1,972

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
IBM	3,804,400	58⅝	−1⅝
Circus Ent	3,236,400	25¼	+4¾
Utd Health	2,066,500	45¼	+⅝
Gen Elec	1,914,700	46⅝	−⅛
Coca Cola	1,846,700	41⅛	+1
Compaq	1,839,900	32¼	+⅝
Merck	1,804,800	30	+⅛
Motorola	1,764,900	44⅞	+⅛
Wal Mart	1,701,200	24⅛	+⅛
Abbot Lab	1,632,600	29	—

■ TRADING ACTIVITY

● Volume (million)

	Jul 1	Jun 30	Jun 29
New York SE	197.288	292.734	283.878
Amex	13.279	15.333	18.049
NASDAQ	201.868	281.781	268.237
NYSE			
Issues Traded	2,761	2,825	2,814
Rises	1,293	948	1,238
Falls	809	1,277	850
Unchanged	679	589	728
New Highs	16	16	14
New Lows	67	111	93

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close July 5

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17¾	13⅜	AAR	0.48	3.5	458	168	13¾	13½	13¾	+¼
16⅞	13	A L Labs A x	0.16	1.3	31	35	13¾	13¾	13¾	
69⅝	57⅝	AMP	1.68	2.4	24	1881	69½	68¾	69	
72¼	52⅛	AMR			30	3102	60⅛	59⅛	60⅜	+⅝
6	3⅝	ARX			12	7070	3⅝	3⅞	3⅞	
56⅛	38⅝	ASA	2.00	4.5	29	426	45⅝	44¾	44¾	-⅝
31⅞	25¾	AbbtL	0.76	2.5	17	16850	30¼	29⅛	29⅞	+⅞
13¾	11⅞	Abitibi Pr	0.50	4.2	8	37	12	11⅞	11⅞	-⅛
23⅝	17¾	ABM Ind	0.52	2.6		60	20⅝	20⅜	20⅜	+¼
13¾	11⅛	Acptnceln			25	188	u13¾	13⅝	13¾	+⅛
31	23¾	ACE Ltd	0.44	1.8	4	36	24½	24½	24½	
12½	10⅛	ACM Gvt In x	1.08	9.8		330	11⅛	11	11⅛	
10⅛	7⅞	ACM GvOpp	0.80	9.6		119	8¼	8¼	8¼	
10⅝	8⅛	ACM Gvt Sp	0.95	11.6		154	8⅜	8¼	8¼	-⅛
12	9⅛	ACM Gvt Sp	1.09	11.2		965	9¾	9⅝	9¾	
11¾	8¾	ACM Man	1.08	11.5		131	9½	9⅜	9⅜	-⅛
9¼	8	ACM Managd	0.72	8.7		51	8⅜	8¼	8¼	
15½	8¾	AcmeClv	0.44	4.2	12	278	11⅛	10½	10½	-½
9¼	6½	Acme Elect			6	131	8½	8⅛	8¼	-¼
28¾	23	Acordia	0.60	2.1	14	12	28¼	28	28	
9⅞	5¾	Actava	0.36	4.2	2	297	8⅝	8½	8½	-¼
15⅝	11¼	Acuson			103	283	13½	13⅛	13½	+¼
18⅜	16½	Adams Expr	0.48	2.8	0	58	17¼	17⅛	17¼	+⅛
64	46½	Ad Micro	3.00	5.5		458	54¼	52	54¼	
31¾	16¾	AdvMic	3.00	11.6	11	5570	26⅜	25¾	25⅞	-¼
8⅞	5	Advest Grp	0.16	3.0	9	109	5¼	5⅛	5¼	+⅛
20	15⅛	Advo Inc x	0.10	0.7	100	241	15¼	615	15⅛	-⅛
57¼	49⅜	Aegon ADR	2.95	5.6	11	33	53	52⅛	52¾	+1
65¾	49¾	AlfaL	2.76	5.0	8	1185	55⅞	55½	55⅝	-¼
34⅞	25¼	Altec	0.46	1.4	14	830	33½	32⅞	33½	+⅝
20¼	16⅞	Ahmnsn	0.88	4.6	13	3146	19¼	19	19⅛	
4	1⅞	Allen Inc			1	50	2⅛	2	2	-⅛
[illegible]										

- B -

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- C -

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- D -

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- E -

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4 pm close July 5

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
		Continued from previous page								
57⅞	47⅞	StJoePaper	0.20	0	42	61	49⅞	49⅝	49⅝	+⅛
30¼	25½	StJoeL&P	1.80	6.8	13	9	26⅝	26⅝	26⅝	-⅛
45	37¾	StPaul	1.50	3.7	4	2805	40⅝	40¼	40⅝	+¼
9⅛	6	Salant Crp			8	115	6¾	6⅝	6⅝	-⅛
49⅞	35½	Sallie Mae	1.40	3.9	7	1771	36⅛	35⅝	35⅝	
13⅞	11⅞	Salomon Br	0.28	2.3		187	12⅜	12¼	12⅜	
52¾	44¾	Salomn	0.64	1.3	6	3733	48¼	47⅛	47½	-¾
25	17½	SnDgGE	1.52	8.2	10	808	18⅞	18⅜	18½	-¼
10	7½	SantaFeEn x	0.16	1.7	9	2063	9¾	9⅝	9⅝	+⅛
15¼	13¾	SFeEd				536	13⅞	d13¾	13⅞	+⅛
40	31½	SantaFePac	2.80	8.1	10	78	35	34½	34⅝	-¼
26¼	19¾	SanFeP	0.10	0.5	11	3889	20⅝	20¼	20½	-⅜
28	20⅛	SaraLee	0.64	3.1	14	9407	20⅞	20½	20⅝	
50⅞	42⅛	Scana Corp	2.82	6.5	11	284	43½	43¼	43⅜	+⅛
20½	12⅝	Seacrp x	1.00	7.8	8	10953	12⅞	d12⅝	12¾	+⅛
40½	31¾	ScheringP			25	127	32⅞	32¾	32⅞	
69¾	54½	SchPl	2.04	3.3	14	3339	62⅞	62	62½	+¼
61½	50¾	Schlmb	1.20	1.9	25	11509	u62	60⅛	61⅞	+1⅝
33⅞	24⅝	Schwab(C)	0.28	1.1	11	6977	25¼	24¾	25	
10¾	6⅛	Schwitzer			20	144	7¾	7¼	7¼	
38⅞	24⅞	SciAtl	0.12	0.4	66	611	34	33	33¼	-1
16⅞	13	Scotsman x	0.10	0.7	12	138	13¾	13⅜	13⅝	+⅜
53¾	37¼	ScottP	0.80	1.5	13	3344	52⅞	52	52⅞	+¾
28⅝	18⅝	ScuddrNAsF	0.21	0.9		144	22⅞	22⅝	22⅞	+⅜
12⅝	9⅝	ScuddrNEuF	0.16	1.6		289	9¾	d9⅝	9¾	
18¾	13½	SeaCnB	0.70	4.5	7	11	15½	15½	15½	
16½	15	SeaC1.4625	1.46	9.5		3	15⅜	15⅛	15⅜	
32	26¼	Seagrm	0.56	1.9	38	2545	30⅛	29¾	30	-⅛
29¾	23	Seagull En			35	252	28⅞	28⅛	28⅞	+⅞
31⅝	26⅝	Sealed Air			21	238	28	27⅝	27¾	-½
55⅛	42⅛	SearsR	1.60	3.4	7	5084	48⅛	47¼	47¾	+⅛
13¾	11¼	Seligm Sel	0.84	6.8		138	12½	12⅜	12⅜	
39¼	26	Sensormat	0.22	0.8	30	298	29⅝	29⅛	29¼	-⅛

NASDAQ NATIONAL MARKET

4 pm close July 5

AMEX COMPOSITE PRICES

4 pm close July 5

Price data supplied by Telekurs

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AMERICA

Stability in dollar sparks Dow upturn

Wall Street

Blue chip share prices firmed on the US market *yesterday* morning, but secondary stocks languished as traders and investors nervously awaited the outcome of the two-day meeting of the Federal Reserve's policy-making open market committee, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was up *12.63 at 3,659.28.* The more broadly based Standard & Poor's 500 was also firmer at the halfway mark, up 0.70 at 446.90, while the American Stock Exchange composite was down 0.52 at 424.20 and the Nasdaq composite 1.66 easier *at 705.19. Trading volume on* the New York SE was 110m shares by 1 pm.

Share prices opened weaker across the board, with the Dow falling 10 points in early trading as investor concern surfaced that the FOMC, which was due to start its meeting in the afternoon, might vote to raise interest rates to protect the dollar.

In recent days the US currency has fallen to new post-1945 lows against the Japanese yen. The initial losses, however, were not sustained, and *prices quickly moved into positive* territory, aided by the stability of the dollar, which held its own against the yen and the D-Mark.

Stock market sentiment was also buoyed by a modest firming in bond prices, and by a growing feeling among economists that the FOMC would not push up interest rates just to protect the ailing dollar. Economists said that *the Fed would be more likely* to raise rates if there was fresh evidence of an overheating economy.

The fact that this evidence *may come on Friday,* when the June employment report is published, ensured that yesterday's gains in stock prices were limited. In fact, demand was so spotty that secondary indices such as the Russell *2000 small-cap* index, and the Amex and the Nasdaq composites, remained lower throughout the morning.

Among individual stocks, Texaco stood out, rising \$1¼ to \$61⅝ in busy trading after the oil group announced a significant restructuring that will include the sale of more than half of its US oilfields and a *reduction in its worldwide* workforce of about 2,500 within a year.

The strength in Texaco shares provided the rest of the oil sector with a lift. Mobil advanced \$1⅛ to \$82⅞, Amoco firmed \$¼ to \$57⅞, Chevron *put on \$¼ at \$42⅝ and Phillips* Petroleum added \$⅝ at \$32⅛. The exception was Exxon, which eased \$¼ to \$56⅞.

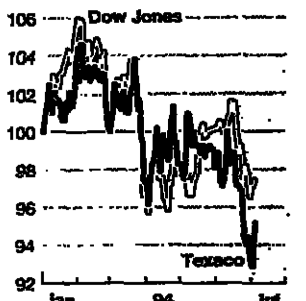
Constituents of the Dow were in demand during the morning session, with IBM rising \$⅝ to \$57⅝, Merck firming \$⅛ to \$30, General Electric adding \$⅝ at \$47 and Philip Morris climbing \$¼ to \$52⅞, all *in heavy trading.*

Sony rose \$3¼ to \$63 on the news that because of strong demand the UK manufacturing arm of the Japanese electronics *and entertainment group* will be raising production of cathode ray tubes by 50 per cent later this year.

On the Nasdaq market, news of a merger between two computer networking groups – WellFleet Communications and *SynOptics Communications* – did not go down well with investors. WellFleet fell \$3¼ to \$21⅞ and SynOptics lost \$⅝ to \$15⅝.

Texaco

Share price and index rebased



Source: FT Graphite

Canada

Toronto stocks firmed slightly in cautious midday trade as players awaited news on the direction of US interest rates, although weakness in precious *metals weighed heavily upon* the market.

The TSE 300 composite index edged 3.16 higher to 4,056.72, after starting the morning softer. Turnover was 17.4m shares valued at C\$184m. Advances led declines by 235 to 219, *with 260 issues steady.*

The gold and silver sector dropped 122.19, or 1.3 per cent, to 9,405.18 in spite of firmer gold futures prices.

Active stocks included Minera Rayrock "A", off C\$0.15 at C\$2.20 with 1.28m shares traded, including a 1.26m-share block crossed by Bunting Warburg; and Bramalea, down C\$0.005 at C\$0.225 with 1.05m changing hands.

Brazilian brokers worry over exchange rate policy

Brazil

São Paulo recovered a little after a mid-morning fall of 2.4 per cent, the Bovespa index *losing 434, or 1.2 per cent, in* local currency terms to 35,375 by 1300 local time.

Volume was thin, and brokers said that concern over the government's exchange rate policy was keeping foreigners out of the market. They said *that* foreign investment in Brazilian markets came to an abrupt halt this week as the central bank implemented a new exchange rate policy which was clearly designed to inhibit foreign capital inflows.

On Monday, turnover on the São Paulo exchange dropped to R\$75m (\$79.3m), a fraction of an average day's volume.

Mexico

Equities in Mexico City waited grimly for the result of the FOMC meeting in Washington, the IPC index of leading stocks falling a mere 1.26 to 2,266.28 after a similarly meagre increase on Monday. Brokers were conscious that uncertainty would continue ahead of the *G7* meeting at the weekend, and the country's elections on August 21.

EUROPE

Bourses wary ahead of FOMC meeting

Preoccupied with currency and interest rate considerations, bourses were not disposed to react to the mid-morning bounce on Wall Street, *writes Our Markets Staff.*

FRANKFURT tried for another rise in the pre-bourse, where the Dax *index hit* a day's high of 2,068.36. However, professionals were conscious that it was only two weeks ago that the index was testing 1,950; and that there will be a number of events to test it over the next few days.

The Dax subsided on the session to close 21.71 lower at 2,032.69, understandable, said Ms Barbara Altmann at B Metzler in Frankfurt, in view of the scope for profit-taking, the sense that a short consolidation would make, and the *prospect of high* level economic meetings: the FOMC, in Washington, yesterday afternoon and today; the Bundesbank, tomorrow; and G7, on Friday.

In the post-bourse, the Ibis indicated Dax stood relatively still, although the September *bund future fell by a full* percentage point from its day's high of 92.42 before it recovered late to 91.60. Ms Altmann thought that the equity market had already discounted a rate rise in the US.

Turnover rose from DM4.4bn *to DM5.7bn. There* was little acknowledgement of the Chinese high level mission to Germany, and the billion-D-Mark industrial contracts for German companies expected to result. Siemens, which rose DM7.50 on Monday, dropped *DM9 to DM653.50,* although it seemed likely to be the biggest single beneficiary.

PARIS saw a hefty rebound in Alcatel Alsthom, although Mr Pierre Suard, its chairman, was placed under investigation formally just after midnight on *Tuesday for corruption and* misuse of public funds for work carried out at his home.

Traders said the feared US sales of Alcatel shares had not materialised. The stock rose FFr31, or 5.7 per cent, to FFr572 in 1.27m shares traded, *the heaviest volume of the day,* as the CAC-40 index recovered 12.55 to 1,878.73.

Overall, turnover was still thin at FFr2.89bn. Générale des Eaux, caught in the Alcatel backlash on Monday, recovered FFr16 to FFr531. Meanwhile, *Schneider, the electrical group* whose chairman was arrested in Belgium at the end of May, continued its slow return to engineering favour, rising FFr11.30 to FFr363.30 after a 1994 low towards the end of June.

***MILAN** picked up* amid renewed domestic demand for blue chip stocks, although many investors remained hesitant, awaiting the broad outline of government measures to cut the budget deficit which will be released tomorrow.

The Comit index added 4.40 at 691.24, news of a pay deal affecting 1.7m metalworkers helping the mood. The agreement, which traditionally sets the trend for other sectors, provides for staggered wage rises over the next two years in line *with expected inflation.*

Among the blue chips, Fiat rose L190, or 2.9 per cent, to L6,640, Olivetti put on L60, or 2.5 per cent, at L2,470 and Pirelli added L70 at L2,575.

Ciga, the luxury hotels group in which ITT Sheraton, of the *US, is expected to try to gain* effective control, strengthened L20 to L1,125 ahead of today's shareholders meeting.

FT-SE Actuaries Share Indices

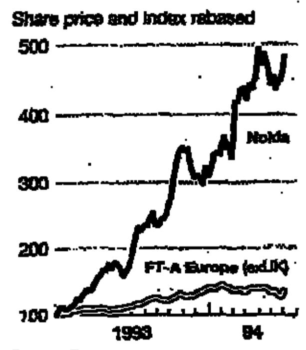
Jul 5							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1318.01	1315.67	1316.12	1316.50	1314.60	1313.54	1315.16	1316.58
FT-SE Eurotrack 200	1358.93	1355.33	1355.80	1353.82	1351.38	1351.83	1353.47	1354.71

	Jul 4	Jul 1	Jun 30	Jun 29	Jun 28
FT-SE Eurotrack 100	1326.87	1314.32	1322.54	1331.90	1327.83
FT-SE Eurotrack 200	1365.52	1351.97	1352.98	1362.43	1354.56

Base 1000 (26/10/90). Highday: 100 - 1318.11; 200 - 1358.93 Lowday: 100 - 1313.27 200 - 1350.38

Nokia

Share price and index rebased



Source: Datastream

ZURICH was unable to maintain Monday's momentum and the SMI index gave back 26.7 to 2,609 in thin volume, with the *market taking its direction* from easier bond futures. Roche certificates fell SFr85 to SFr6,330 and UBS bearers SFr8 to SFr1,169. Against the trend, Georg Fischer picked up SFr20 to SFr1,470, still benefiting from its chief financial officer's *upbeat forecast of profits* for this year.

MADRID built on the uncertainties elsewhere, the general index falling 5.65, or 1.9 per cent, to 295.11 in Pta28bn turnover. Bankinter reversed a recently positive response to brokers' recommendations, leading banks down with a fall of Pta470, or 4.2 per cent, to *Pta10,600.*

HELSINKI continued to show up well in spite of a 2.5 per cent drop in the Finnish *banking and finance* house index. The Hex index climbed 6.5 per cent to 1,704.8, driven up again by gains in Nokia, which capped a long period of outperformance; the electronics and industrial conglomerate closed another FM9 higher at FM460 after a FM24 gain on Monday, following its admission to quotation in the US.

AMSTERDAM received a late fillip from Wall Street's early *strength and the AEX index* finished 1.70 higher at 389.70.

KNP BT, the paper and packaging company, put on 20 cents at Fl 43.50 as it said it was studying various options to finance the growth of its office products group, including a US *listing.*

Begemann, the troubled engineering group, dropped Fl 3, or 10 per cent, to Fl 29.50, a new low for the year, although analysts said they knew of no new development to account for the decline.

***TEL AVIV** rebounded from* Monday's low in heavy trading, the Mishtanim index rising 5.02, or 8.4 per cent, to 153.03 in turnover of Shk179m. Traders were unable to determine if this was a recovery, or simply a reaction after two weeks of *heavy declines.*

Written and edited by William Cochrane and Michael Morgan

S Africa slips on Keys report

Johannesburg was unsettled by early reports that Mr Derek Keys, the minister of finance, was to resign. Industrials slipped in late trade as golds held on to most of their earlier gains, writes Michael Morgan.

In subsequent London trading on Seaq International, South African equities were marked sharply lower as the market awaited clarification of the reasons for Mr Keys' departure. Among mining issues, Anglo American was 4.6 per cent down, De Beers dropped 3.9 per cent and Vaal Reefs fell *3.1* per cent. Sappi, South Africa's biggest pulp and paper company, retreated 3.1 per cent.

Last night, Mr Charles Kernot at Credit Lyonnais Laing in London said Mr Keys' confirmation that he was leaving *for personal reasons* would be less of a body blow for the market than if there had been policy differences. Much would now depend on who was named as his successor.

In Johannesburg trading, the overall index finished 3 *softer at 5,451, industrials lost* 20 at 6,267 and golds showed an advance of 9 at 2,172.

De Beers added 25 cents at R108, Anglos fell R2 to R228 and Vaal Reefs was R3 higher at R418. Sappi rose 25 cents to R46.25 following the chairman's bullish annual review.

ASIA PACIFIC

Easier yen and consumer spending hopes lift Nikkei

Tokyo

The retreat in the yen lifted *sentiment, and hopes of strong* consumer spending due to the hot summer weather focused hopes on consumer electronic stocks as the Nikkei 225 average rose on buying by financial institutions, *writes Emiko Terazono in Tokyo.*

The index put on *302.44* at 20,834.37 after opening at the day's low of 20,650.03 and peaking at 20,907.58 in the afternoon. Arbitrage selling late in *the session eroded some of the* afternoon gains.

Volume totalled 393m shares, against Monday's 248m. Foreign investors were absent ahead of the US Federal Reserve's Open Market Committee meeting, the German Bundesbank council meeting and the Group of Seven meetings in Naples later in the week.

Some domestic investors *remained cautious over* currency fluctuations and the waning prospect of a co-ordinated move on interest rates by the US, Japan and Germany. However, brokers said investor confidence seemed to be returning slowly, following reports *of rising sales of clothing* and air conditioners thanks to the hot weather, and of spending prompted by the cut in income tax.

The Topix index of all first section stocks added 10.76 at 1,683.49 and the Nikkei 300 was up 2.28 at 306.28, while advances outscored declines by 686 to 338, with 164 issues unchanged. In London the ISE/Nikkei 50 index edged forward 2.37 *to* 1,371.83.

High-technology shares rose on the yen's decline to the Y99 level to the dollar. Oki Electric climbed Y22 to Y817, Toshiba Y18 to Y830, Sharp Y30 to a year's high of Y1,890 and Matsushita Electric Industrial Y30 *to* Y1,850.

Brokers bought prospective beneficiaries of the country's heat wave. The air conditioner retailer Hitachi Sales advanced Y35 to Y748 and Best Denki Y50 to Y1,920. Brewers were also stronger, Kirin Brewery rising Y40 to Y1,220 and Sapporo Lion, a beer hall operator, Y40 *to* Y1,530.

Hopes of a sales increase supported department stores and supermarkets, Marui appreciating Y60 to Y1,960 and Daiei Y20 *to* Y1,780.

Terumo, a medical equipment maker, rose by its daily *limit* of Y103 to Y1,020 on reports of its development of a three dimensional television.

Nippon Telegraph and Telephone, which had gained on *the telecommunication theme,* dipped Y1,000 to Y871,000 on profit-taking. East Japan Railway lost Y1,000 at Y509,000.

In Osaka, the OSE average moved ahead 213.19 to 23,343.37 in volume of 33.7m shares.

Roundup

Pacific Rim trading was cautious ahead of the FOMC meeting later in the day.

***SYDNEY** was helped higher* by bullish statements from leading companies and firmer futures. The All Ordinaries index closed 16.3 stronger at 2,003.4, above 2,000 for the first time in more than a week.

BHP, which said it was eager to make a major acquisition, added 20 cents at A\$18.28. Nine Network slipped 4 cents to A\$4.16 and Australian Consolidated Press gained 4 cents at A\$4.34 after news that they planned to merge into a single listed entity.

The All Industrials index rose 19.8 to 2,942.6 and the All Resources climbed 14.0 to 1,297.3. National turnover was 129.5m shares worth a modest *A\$279.7m.*

SEOUL was spurred ahead for the third straight day by institutional demand for companies expected to produce higher profits. The composite stock index put on 9.26 at 960.49. Posco and Samsung Electronics went limit up for a second day, adding Won2,000 and Won2,500 at Won71,000 and Won92,000 respectively.

HONG KONG was unable to make progress after another day of thin, narrow trade. The Hang Seng index ended 5.09 easier at 8,623.19, near the bottom of the day's 45-point range. *Turnover edged up to a preliminary* HK\$1.56bn from Monday's adjusted HK\$1.31bn, which was an 18-month low.

Hong Kong Ferry provided the day's sole spark, jumping HK\$1.55 to HK\$14.55 after the government announced the *start of final negotiations on* the company's pier and commercial development plans.

TAIPEI reversed early gains after late profit-taking in *financials. The weighted index,* which moved in a 79-point range, ended 2.68 off at 6,064.95. Turnover came to T\$63.98bn.

MANILA's composite index fell below the 2,600 psychological support level as the market *continued to worry about the* outlook for US interest rates. The index lost 49.97 at 2,595.16 in turnover of 674.2m pesos, against a previous 582.2m pesos.

The newly listed SM Prime closed at 5.50 pesos, up from *the 5.35 pesos offer price but* lower than the off-market price of 5.70 prior to listing.

BOMBAY made a mild recovery from a subdued opening on *buying by state-owned* financial institutions.

The BSE 30-share index ended 6.86 ahead at 4,102.06.

SINGAPORE closed mixed as technical-led buying dried up late in the afternoon. The Straits Times Industrial index was off 3.21 at 2,187.95 after a day's high of 2,195.56.

KUALA LUMPUR edged ahead in cautious trade, the composite index adding 4.50 at 1,004.06 in volume down to 81m shares from Monday's 89m.

Speculative stocks were in demand. Idris rose to a high of M\$4.56 before closing 8 cents up on the day at M\$4.46.

BANGKOK finished at the day's peak on buying of blue chip stocks. The SET index rose throughout the day, gaining 20.73, or 1.63 per cent, at 1,295.64 in moderate turnover of Bt4.99bn, double Monday's total of Bt2.39bn.

WELLINGTON finished a dull day slightly lower, the NZSE-40 capital index receding *12.46 to 1,997.32.* Volume was a light NZ\$22.8m.

Weakness in selected second line shares was the main feature of the day. The NZSE Smaller Companies index retreated 23.91 to 4,339.16.

SHENZHEN trading was suspended for the day after a malfunction of the main Gilat satellite earth station, which transmits and receives the market's trading data.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JULY 4 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JULY 1 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	165.33	1.2	159.33	103.38	137.23	150.72	1.1	3.68	163.36	157.47	101.92	135.43	149.10	189.15	134.61	134.61
Austria (17)	186.91	0.6	180.12	116.65	155.14	154.83	0.5	1.03	185.75	179.06	115.90	153.99	154.15	195.41	142.90	145.83
Belgium (37)	167.92	2.1	161.82	104.97	139.37	136.24	2.2	4.06	164.52	158.59	102.65	136.39	133.28	176.67	143.62	148.01
Canada (106)	123.03	0.3	118.56	76.92	102.12	123.51	0.7	2.74	122.60	118.19	76.50	101.64	122.67	145.31	120.54	128.52
Denmark (33)	258.86	-0.1	249.46	161.83	214.85	220.48	-0.1	1.35	259.18	249.85	161.71	214.87	220.75	275.79	207.58	217.37
Finland (24)	145.65	2.7	140.38	91.05	120.89	160.99	1.6	0.88	141.88	136.77	88.52	117.62	158.46	156.72	93.88	93.88
France (97)	159.34	-0.3	153.55	99.61	132.25	136.74	-0.2	3.28	159.79	154.03	99.69	132.46	136.96	185.37	149.60	151.75
Germany (58)	137.20	0.6	132.22	85.77	113.88	113.88	0.8	1.81	136.34	131.43	85.06	113.02	113.02	147.07	109.28	109.59
Hong Kong (56)	350.90	-0.1	338.16	219.37	291.25	348.17	-0.1	3.41	351.17	338.52	219.10	291.13	348.47	506.56	271.42	291.39
Ireland (14)	182.13	0.1	175.52	113.86	151.17	168.73	0.1	3.61	181.99	175.44	113.55	150.88	168.63	209.33	155.93	162.67
Italy (60)	82.22	1.0	79.24	51.40	68.25	97.10	0.7	1.63	81.40	78.47	50.79	67.48	96.39	97.78	57.88	68.38
Japan (469)	168.79	0.5	162.66	105.52	140.10	105.52	0.7	0.73	168.04	161.99	104.84	139.31	104.84	169.49	124.54	144.58
Malaysia (98)	456.98	-0.8	440.39	285.69	379.30	458.58	-0.8	1.78	460.65	444.06	287.41	381.89	462.09	621.63	322.60	333.31
Mexico (18)	1906.29	-0.2	1837.04	1191.73	1582.21	7079.11	-0.1	1.89	1910.19	1841.37	1191.82	1583.57	7085.25	2647.08	1481.21	1605.53
Netherland (27)	198.71	0.9	191.50	124.23	164.93	162.32	0.9	3.50	197.02	189.93	122.93	163.34	160.81	207.43	164.59	166.33
New Zealand (14)	67.01	1.9	64.57	41.89	55.62	59.58	1.9	4.01	65.78	63.41	41.04	54.53	58.44	77.59	50.98	50.98
Norway (23)	190.95	1.6	184.02	119.38	158.49	180.64	1.6	1.83	188.00	181.22	117.29	155.86	177.80	206.42	153.27	154.90
Singapore (44)	327.72	-1.0	315.82	204.88	272.01	229.89	-1.1	1.84	331.05	319.13	206.55	274.45	232.44	378.92	244.27	251.95
South Africa (59)	269.94	1.6	260.14	168.76	224.05	278.78	0.9	2.26	265.75	256.17	165.81	220.31	276.19	284.68	175.93	207.26
Spain (42)	136.93	0.7	131.96	85.60	113.65	136.52	0.7	4.24	136.02	131.12	84.86	112.76	135.55	155.79	116.33	125.21
Sweden (36)	201.08	0.9	193.78	125.71	166.90	232.31	0.7	1.72	199.28	192.11	124.34	165.21	230.62	231.35	166.07	168.92
Switzerland (47)	161.20	1.4	155.34	100.78	133.80	133.91	1.6	1.81	158.90	153.18	99.14	131.73	131.78	176.56	124.46	126.80
United Kingdom (205)	186.32	1.1	179.55	116.48	154.65	179.55	1.1	4.19	184.26	177.62	114.97	152.76	177.62	214.96	170.32	175.20
USA (519)	182.03	0.0	175.42	113.80	151.09	182.03	0.0	2.94	182.03	175.48	113.58	150.91	182.03	196.04	176.95	182.50
EUROPE (720)	162.97	0.9	157.06	101.88	135.27	148.38	0.9	3.14	161.57	155.75	100.81	133.94	147.08	178.58	142.48	143.66
Nordic (116)	199.98	0.9	192.69	125.01	165.96	197.72	0.7	1.51	198.08	190.94	123.58	164.21	196.43	220.60	160.28	161.47
Pacific Basin (750)	174.66	0.4	168.32	109.19	144.97	114.39	0.6	1.04	173.96	167.70	108.54	144.22	113.76	175.57	134.79	148.60
Euro-Pacific (1470)	169.62	0.6	163.46	106.04	140.78	128.34	0.7	1.89	168.62	162.55	105.21	139.79	127.46	170.78	143.66	146.46
North America (625)	178.38	0.0	171.90	111.51	148.05	178.03	0.0	2.94	178.35	171.93	111.28	147.85	177.98	192.73	175.67	179.15
Europe Ex. UK (515)	146.73	0.7	141.41	91.73	121.79	129.47	0.8	2.52	145.69	140.44	90.90	120.78	128.49	157.47	123.61	124.14
Pacific Ex. Japan (281)	235.87	0.1	227.31	147.46	195.78	212.18	0.1	3.01	235.60	227.12	147.00	195.32	212.02	298.21	184.93	188.29
World Ex. US (1653)	170.26	0.6	164.07	106.44	141.31	131.47	0.7	1.92	169.26	163.16	105.60	140.32	130.57	172.51	145.58	147.31
World Ex. UK (1967)	171.87	0.3	165.63	107.45	142.65	144.03	0.4	2.07	171.34	165.16	106.90	142.04	143.48	175.58	155.96	156.46
World Ex. So. Af. (2113)	172.58	0.4	166.31	107.89	143.24	146.34	0.4	2.27	171.94	165.75	107.28	142.54	145.70	178.56	157.61	157.88
World Ex. Japan (1703)	177.95	0.4	171.49	111.25	147.70	170.83	0.4	3.00	177.32	170.93	110.63	147.00	170.22	185.20	168.08	167.14
The World Index (2172)	173.18	0.4	166.67	108.26	143.73	147.33	0.5	2.27	172.50	166.28	107.63	143.00	146.87	178.97	157.88	158.12

Latest prices were unavailable for this edition. US market closed 4/7/94.